**FORM 10-K**

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2011**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from _____to**

Commission File Number: 1-8610

**AT&T INC.**

Incorporated under the laws of the State of Delaware
I.R.S. Employer Identification Number 43-1301883

208 S. Akard St., Dallas, Texas, 75202
Telephone Number 210-821-4105

Securities registered pursuant to Section 12(b) of the Act: (See attached Schedule A)

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X ] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ X ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer [X] | Accelerated filer [ ] |
| Non-accelerated filer [ ] | Smaller reporting company [ ] |

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

Based on the closing price of $31.41 per share on June 30, 2011, the aggregate market value of our voting and non-voting common stock held by non-affiliates was $186.1 billion.

At January 31, 2012, common shares outstanding were 5,928,751,656.

**DOCUMENTS INCORPORATED BY REFERENCE**

(1) Portions of AT&T Inc.'s Annual Report to Stockholders for the fiscal year ended December 31, 2011 (Parts I and II).

(2) Portions of AT&T Inc.'s Notice of 2012 Annual Meeting and Proxy Statement dated on or about March 9, 2012 to be filed within the period permitted under General Instruction G(3) (Parts III and IV).

**SCHEDULE A**

Securities Registered Pursuant To Section 12(b) Of The Act:

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Shares (Par Value $1.00 Per Share) | New York Stock Exchange |
| 6.125% AT&T Inc. Global Notes due April 2, 2015 | New York Stock Exchange |
| 5.875% AT&T Inc. Global Notes due April 28, 2017 | New York Stock Exchange |
| 7.00% AT&T Inc. Global Notes due April 30, 2040 | New York Stock Exchange |

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**PART I**

**ITEM 1. BUSINESS**

**GENERAL**

AT&T Inc. ("AT&T," "we" or the "Company") is a holding company incorporated under the laws of the State of Delaware in 1983 and has its principal executive offices at 208 S. Akard St., Dallas, Texas, 75202 (telephone number 210-821-4105). We maintain an Internet website at www.att.com. (This website address is for information only and is not intended to be an active link or to incorporate any website information into this document.) We make available, free of charge, on our website our annual report on Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). We also make available on that website, and in print, if any stockholder or other person so requests, our code of business conduct and ethics entitled "Code of Ethics" applicable to all employees and Directors, our "Corporate Governance Guidelines," and the charters for all committees of our Board of Directors, including Audit, Human Resources and Corporate Governance and Nominating. Any changes to our Code of Ethics or waiver of our Code of Ethics for senior financial officers, executive officers or Directors will be posted on that website.

**History**
AT&T, formerly known as SBC Communications Inc. (SBC), was formed as one of several regional holding companies created to hold AT&T Corp.'s (ATTC) local telephone compani On January 1, 1984, we were spun-off from ATTC pursuant to an anti-trust consent decree, becoming an independent publicly traded telecommunications services provider. At formatio we primarily operated in five southwestern states. Our subsidiaries merged with Pacific Telesis Group in 1997, Southern New England Telecommunications Corporation in 1998 and Ameritech Corporation in 1999, thereby expanding our wireline operations as the incumbent local exchange carrier (ILEC) into a total of 13 states. In November 2005, one of our subsidiaries merged with ATTC, creating one of the world's leading telecommunications providers. In connection with the merger, we changed the name of our company from "SBC Communications Inc." to "AT&T Inc." In December 2006, one of our subsidiaries merged with BellSouth Corporation (BellSouth) making us the ILEC in an additional nine states. Witl the BellSouth acquisition, we thereby acquired BellSouth's 40% economic interest in AT&T Mobility LLC (AT&T Mobility), formerly Cingular Wireless LLC, and BellSouth's 34% economic interest in YELLOWPAGES.COM (YPC), resulting in 100% ownership of AT&T Mobility and YPC. Our services and products are marketed under the AT&T brand name, including alliances such as AT&T Yahoo! and AT&T | DIRECT TV.

**Scope**
We are a leading provider of telecommunications services in the United States and the world. We offer our services and products to consumers in the U.S. and services and products to businesses and other providers of telecommunications services worldwide.

The services and products that we offer vary by market, and include: wireless communications, local exchange services, long-distance services, data/broadband and Internet services, video services, telecommunications equipment, managed networking, wholesale services and directory advertising and publishing. We group our operating subsidiaries as follows, corresponding to our operating segments for financial reporting purposes:

- wireless subsidiaries provide both wireless voice and data communications services across the U.S. and, through roaming agreements, in a substantial number of foreign countries.
- wireline subsidiaries provide primarily landline voice and data communication services, AT&T U-verse ® TV, high-speed broadband and voice services (U-verse) and managed networking to business customers.
- advertising solutions subsidiaries publish Yellow and White Pages directories and sell directory advertising and Internet-based advertising and local search.
- other subsidiaries provide results from customer information services and all corporate and other operations.

Our local exchange subsidiaries operate as the ILEC in 22 states: Alabama, Arkansas, California, Connecticut, Illinois, Indiana, Florida, Georgia, Kentucky, Louisiana, Kansas, Michigan, Mississippi, Missouri, Nevada, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas and Wisconsin (22-state area). Our local exchange subsidiaries are subject to regulation by each state in which they operate and by the Federal Communications Commission (FCC). Wireless service providers are regulated by the FCC. Additional information relating to regulation is contained under the heading "Government Regulation" and in the Annual Report under the heading "Operating Environment and Trends of the Business," and is incorporated herein by reference pursuant to General Instruction G(2).

With the expansion of our company through acquisitions and the resulting ownership consolidation of AT&T Mobility, and with continuing advances in technology, our services offerings now combine our traditional wireline and wireless services. We make our customers' lives more convenient and productive and foster competition and further innovation in the communications and entertainment industry. In 2012, we plan to focus on the areas discussed below.

**Wireless**
AT&T Mobility began operations in October 2000 as a joint venture between us and BellSouth and, in 2004, acquired AT&T Wireless Services, Inc. Upon our acquisition of BellSouth in 2006, AT&T Mobility became a wholly-owned subsidiary.

We cover most major metropolitan areas of the United States with our Universal Mobile Telecommunications System/High-Speed Downlink Packet Access (HSPA) and HSPA+ network technology, with HSPA+ providing 4G speeds when combined with our upgraded backhaul. At the end of 2011, over 80% of our data traffic was carried over this enhanced backhaul. Our network provides superior mobile broadband speeds for data and video services, as well as operating efficiencies using the same spectrum and infrastructure for voice and data on an IP-based platform. Our wireless network also relies on digital transmission technologies known as GSM, General Packet Radio Services and Enhanced Data Rates for GSM Evolution for data communications. As of December 31, 2011, we served 103 million subscribers. We have also begun transitioning our network to next generation LTE technology and expect this network to cover approximately 80% of the U.S. population and to be largely complete by the end of 2013. We continue to expand the number of locations, including airports and cafés, where customers can access broadband Internet connections using wireless fidelity (local radio frequency commonly referred to as Wi-Fi) wireless technology.

As the wireless industry continues to mature, we believe that future wireless growth will increasingly depend on our ability to offer innovative data services to customers, which in turn, will depend on the availability of additional spectrum. We are facing significant spectrum and capacity constraints on our wireless network in certain markets. We expect such constraints to increase and expand to additional markets in the coming years. While we are continuing to invest significant capital in expanding our network capacity, our capacity constraints could affect the quality of existing voice and data services and our ability to launch new, advanced wireless broadband services, unless we are able to obtain more spectrum. Any spectrum solution will require that the FCC makes new spectrum available to the wireless industry and allows us to obtain the spectrum we need more immediately to meet the needs of our customers. We will continue to attempt to address spectrum and capacity constraints on a market-by-market basis.

**Business Customers**
We expect to continue to strengthen the reach and sophistication of our network facilities and our ability to offer a variety of communications services, both wireless and wireline, to large businesses and wholesale customers worldwide. We expect to offer similar services to small- and medium-businesses and to increase the attractiveness of our services to governmental customers. We also expect to extend our wholesale business offerings to other service products and systems integration services.

**Data/Broadband**
As the communications industry continues to move toward Internet-based technologies that are capable of blending traditional wireline and wireless services, we plan to offer services that take advantage of these new and more sophisticated technologies. In particular, we intend to continue to focus on expanding our AT&T U-verse high-speed broadband and video offerings and on developing IP-based services that allow customers to unite their home or business wireline services with their wireless service.

**U-verse Services** During 2011, we continued to expand our offerings of U-verse High Speed Internet and TV services.
As of December 31, 2011, we reached our deployment goal of 30 million living units and have now passed 30.3 million living units (constructed housing units as well as platted housing lots). We are marketing U-verse services to 78% of those units and had 3.8 million subscribers by year-end 2011. During 2012, we will continue our efforts to increase sales to this base.

We believe that our U-verse TV service is a "video service" under the Federal Communications Act. However, some cable providers and municipalities have claimed that certain IP services should be treated as a traditional cable service and therefore subject to the applicable state and local cable regulation. Certain municipalities have delayed our requests to offer this service or have refused us permission to use our existing or new right-of-ways to deploy or activate our U-verse-related equipment, services and products, resulting in litigation. Petitions have been filed at the FCC alleging that the manner in which we provision "public, educational and governmental" (PEG) programming over our U-verse TV service conflicts with federal law, and a lawsuit has been filed in a California state superior court raising similar allegations under California law. If courts having jurisdiction where we have significant deployments of our U-verse services were to decide that federal, state and/or local cable regulation were applicable to our U-verse services, or if the FCC, state agencies or the courts were to rule that we must deliver PEG programming in a manner substantially different from the way we do today or in ways that are inconsistent with our current network architecture, it could have a material adverse effect on the cost and extent of our U-verse offerings.

**Voice over Internet Protocol (VoIP)** VoIP is generally used to describe the transmission of voice using IP-based technology rather than a traditional wire and switch-based telephone network. A company using this technology can often provide voice services at a lower cost because this technology uses bandwidth more efficiently than a traditional network and because this technology has not been subject to traditional telephone industry regulation. While the development of VoIP has resulted in increased competition for our wireless and wireline voice services, it also presents growth opportunities for us to develop new products for our customers.

## BUSINESS OPERATIONS

### OPERATING SEGMENTS

Our segments are strategic business units that offer different products and services over various technology platforms and are managed accordingly. We analyze our various operating segments based on segment income before income taxes. We make our capital allocations decisions based on our strategic direction of the business, needs of the network (wireless or wireline) providing services and other assets needed to provide emerging services to our customers. Actuarial gains and losses from pension and other postretirement benefits, interest expense and other income (expense) – net, are managed only on a total company basis and are, accordingly, reflected only in consolidated results. Therefore, these items are not included in the calculation of each segment's percentage of our total segment income. Each segment's percentage of total segment operating revenue and income calculations is derived from our segment results, and income percentage may total more than 100 percent due to losses in one or more segments. We have four reportable segments: (1) Wireless; (2) Wireline; (3) Advertising Solutions; and (4) Other.

Additional information about our segments, including financial information, is included under the heading "Segment Results" on pages 32 through 40 and in Note 4 of the Annual Report and is incorporated herein by reference pursuant to General Instruction G(2).

### WIRELESS

Wireless consists of our subsidiary, AT&T Mobility, which operates as a wireless provider to both business and consumer customers. Our Wireless segment provided approximately 50% of 2011 total segment operating revenues and 94% of our 2011 total segment income. At December 31, 2011, we had more than 103 million wireless subscribers. We classify our customers as either postpaid, prepaid, connected device or reseller.

*Services and Products*

We offer a comprehensive range of high-quality nationwide wireless voice and data communications services in a variety of pricing plans, including postpaid and prepaid service plans. Our offerings are tailored to meet the communications needs of targeted customer segments, including youth, family, active professionals, small businesses, government and major national corporate accounts.

**Service –** Our voice service is generally offered on a contract basis for one- or two-year periods, referred to as postpaid. Under the terms of these contracts, service is billed and provided on a monthly basis according to the applicable rate plan chosen. Our wireless services include basic local wireless communications service, long-distance service and roaming services. Roaming services enable our subscribers to utilize other carriers' networks when they are "roaming" outside our network footprint. We also charge fees to other carriers for providing roaming services to their customers when their customers utilize our network. We also offer prepaid voice service to certain customers who prefer to control usage or pay in advance.

Wireless data revenues continue to be a growing area of our business, representing an increasing share of our overall subscriber revenue. We are experiencing solid growth from both consumer and enterprise wireless data services, as an increasing number of our subscribers have upgraded their handsets to more advanced integrated devices. We are also seeing rapid growth in demand for new data-centric devices such as notebooks, tablets, eReaders, direction and navigation aids and monitoring devices. Customers in our "connected device" category (e.g., users of eReaders and navigation aids) purchase those devices from third-party suppliers which buy data access supported by our network. Other data-centric device users are classified as either postpaid customers (primarily netbook and notebook users) or prepaid customers (primarily tablet users) since they purchase service directly from us. We continue to upgrade our network and coordinate with equipment manufacturers and applications developers in order to further capitalize on the continued growth in the demand for wireless data services. As of December 31, 2011, we were a leading provider of wireless data in the U.S. wireless industry based on subscribers.

**Equipment –** We sell a wide variety of handsets, wirelessly enabled computers (i.e., notebooks and tablets) and personal computer wireless data cards manufactured by various suppliers for use with our voice and data services. We sell through our own company-owned stores or through agents or third-party retail stores. We also sell accessories, such as carrying cases, hands-free devices, batteries, battery chargers and other items, to consumers, as well as to agents and other third-party distributors for resale. Like other wireless service providers, we often provide postpaid contract subscribers substantial equipment subsidies to initiate or upgrade service.

Additional information on our Wireless segment is contained in the Annual Report in the "Operating Environment Overview" section under the heading "Expected Growth Areas," "Wireless" beginning on page 41 and is incorporated herein by reference pursuant to General Instruction G(2).

**WIRELINE**

Our Wireline subsidiaries provide both retail and wholesale communication services domestically and internationally. Our Wireline segment provided approximately 47% of 2011 segment operating revenues and 45% of our 2011 total segment income. We divide our wireline services into three product-based categories: voice, data and other. Revenues from our traditional voice services have been declining as customers have been switching to wireless, cable and other Internet-based providers. In addition, the continuing weak economy has caused wireline customers to terminate their residential or business phone service as individuals have lost jobs or otherwise combined households and businesses have closed or reduced operations. We have responded by offering packages of combined voice and data services, including broadband and video, and intend to continue this strategy during 2012.

*Services and Products*

**Data –** We provide data services that rely on IP-based technology and data services that rely on older, circuit-based technology. We provide businesses voice applications over IP-based networks (i.e., Enhanced Virtual Private Networks or "EVPN"). Over the past several years, we have built out our new multi-protocol label switching/asynchronous transfer mode, or MPLS/ATM network, to supplement, and eventually replace, our other extensive global networks. These products allow us to provide highly complex global data networks. Additional IP-based services include Internet access and network integration, dedicated Internet and enterprise networking services, U-verse services and related data equipment sales.

Our circuit-based, traditional data products include switched and dedicated transport that allow business customers to transport data at high speeds, as well as DSL and dial-up Internet access. Our private line offering uses high-capacity digital circuits to transmit from point-to-point in multiple configurations and allows customers to create internal data networks and to access external data networks. Switched Transport services transmit data using switching equipment to transfer the data between multiple lines before reaching its destination. Dedicated Transport services use a single direct line to transmit data between destinations. DSL is a digital modem technology that converts existing twisted-pair telephone lines into access paths for multimedia and high-speed data communications to the Internet or private networks. DSL allows customers to simultaneously make a phone call and access information via the Internet or an office local area network. Digital Services use dedicated digital circuits to transmit digital data at various high rates of speed.

Network integration services include installation of business data systems, local area networking and other data networking offerings. Internet access services include a wide range of products for residences and businesses including basic dial-up access service, dedicated access, web hosting, managed services, e-mail and high-speed access services. Our managed web-hosting services for businesses provide network, server and security infrastructure as well as built-in data storage and include application performance management, database management, hardware and operating system management. Our hosting services also provide customers with secure access to detailed reporting information about their infrastructure and applications.

Packet services consist of data networks using packet switching and transmission technologies, including traditional circuit-based, and IP connectivity services. Packet services enable customers to transmit large volumes of data economically and securely and are used for local area network (LAN) interconnection, remote site, point of sale and branch office communications. High-speed packet services are used extensively by enterprise (large business) customers.

Enterprise networking services provide comprehensive support from network design, implementation and installation to ongoing network operations and management for networks of varying scales, including LANs, wide area networks, and virtual private networks. These services include applications such as e-mail, order entry systems, employee directories, human resource transactions and other database applications.

We also offer Wi-Fi services (local radio frequency commonly known as wireless fidelity).

We provide local, interstate and international wholesale networking capacity to other service providers. We offer a combination of high-volume transmission capacity and conventional dedicated line services on a regional, national and international basis to wireless carriers, interexchange carriers, Internet service providers (ISPs) and facility-based and switchless resellers. Our wholesale customers are primarily large ISPs, wireless carriers, competitive local exchange carriers (CLECs), regional phone companies, interexchange carriers, cable companies and systems integrators.

**Voice** – Voice includes traditional local and long-distance service provided to retail customers and wholesale access to our network and individual network elements provided to competitors. At December 31, 2011, our wireline subsidiaries served approximately 19 million retail consumer access lines, 16 million retail business access lines and 2 million wholesale access lines. We also have a number of integrated voice and data services, such as integrated network connections, that provide customers the ability to integrate access for their voice and data services, the data component of which is included in the data category. Additionally, voice revenues do not include any of our VoIP revenues, which are included in data revenues.

Long distance consists of traditional long distance and international long distance for customers that select us as their primary long-distance carrier. Long distance also includes services provided by calling card, 1-800 services and conference calling. These services are used in a wide variety of business applications, including sales, reservation centers or customer service centers. We also provide wholesale switched access service to other service providers.

Voice also includes calling features, fees to maintain wire located inside customer premises and other miscellaneous voice products. Calling features are enhanced telephone services available to retail customers such as Caller ID, Call Waiting and voice mail. These calling features services are generally more profitable than basic local phone service.

**Other –** Other includes application management, security service, integration services, customer premises equipment, outsourcing, government-related services, and satellite video services. Security services include business continuity and disaster recovery services as well as premise and network based security products.

Customer premises equipment and other equipment sales range from single-line and cordless telephones to sophisticated digital Private Branch Exchange (PBX) systems. PBX is a private telephone switching system, typically used by businesses and usually located on a customer's premises, which provides intra-premise telephone services as well as access to our network.

**ADVERTISING SOLUTIONS**

Advertising Solutions includes our directory operations, which publish Yellow and White Pages directories and sell directory advertising and Internet-based advertising and local search The Advertising Solutions segment provided approximately 3% of total segment operating revenues in 2011. In 2011, segment operating expenses exceeded revenues due to a recorded impairment of goodwill and a trade name. This segment sells advertising services throughout the United States, with our print directory operations primarily covering our 22-state area.

**OTHER**
Our Other segment includes customer information services (i.e., operator services) and corporate and other operations, as well as impacts from corporate-wide decisions for which the individual operating segments are not being evaluated, including interest cost and expected return on pension and postretirement benefits. The Other segment provided less than 1% of total segment operating revenues in 2011. In 2011, segment operating expenses exceeded revenues. We also include in this segment the equity income (loss) from our investments in Télefonos de México, S.A. de C.V. and América Móvil, S.A. de C.V.

**MAJOR CLASSES OF SERVICE**

The following table sets forth the percentage of total consolidated reported operating revenues by any class of service that accounted for 10% or more of our consolidated total operating revenues in any of the last three fiscal years:

| | Percentage of Total Consolidated Operating Revenues | | |
|---|---|---|---|
| | **2011** | 2010 | 2009 |
| **Wireless Segment** | | | |
| Wireless service | **45%** | 43% | 40% |
| **Wireline Segment** | | | |
| Data | **23%** | 22% | 21% |
| Voice | **20%** | 23% | 26% |

**GOVERNMENT REGULATION**

Wireless communications providers must be licensed by the FCC to provide communications services at specified spectrum frequencies within specified geographic areas and must comply with the rules and policies governing the use of the spectrum as adopted by the FCC. The FCC's rules have a direct impact on whether the wireless industry has sufficient spectr available to support the high quality, innovative services our customers demand. Wireless licenses are issued for a fixed time period, typically ten years, and we must seek renewal of the licenses. While the FCC has generally renewed licenses given to operating companies such as us, the FCC has authority to both revoke a license for cause and to deny a license renewal a renewal is not in the public interest. Additionally, while wireless communications providers' prices and service offerings are generally not subject to regulation, the federal governmen and an increasing number of states are considering new regulations and legislation relating to various aspects of wireless services.

Our wireline subsidiaries are subject to regulation by state commissions which have the power to regulate intrastate rates and services, including local, long-distance and network access services, provided such state regulation is consistent with federal law. These subsidiaries are also subject to the jurisdiction of the FCC with respect to intercarrier compensation, interconnection, and interstate and international rates and services, including interstate access charges. Access charges are a form of intercarrier compensation designed to compensate o wireline subsidiaries for the use of their networks by other carriers.

Our subsidiaries operating outside the United States. are subject to the jurisdiction of national and supranational regulatory authorities in the market where service is provided. Regulatio is generally limited to operational licensing authority for the provision of enterprise services.

Additional information relating to regulation of our subsidiaries is contained in the Annual Report under the headings "Operating Environment Overview" beginning on page 40 and "Regulatory Developments" beginning on page 42 and are incorporated herein by reference pursuant to General Instruction G(2).

## IMPORTANCE, DURATION AND EFFECT OF LICENSES

Certain of our subsidiaries own or have licenses to various patents, copyrights, trademarks and other intellectual property necessary to conduct business. Many of our subsidiaries also hold government-issued licenses or franchises to provide wireline or wireless services and regulation affecting those rights is contained in the Annual Report under the heading "Operating Environment Overview" beginning on page 40 and is incorporated herein by reference pursuant to General Instruction G(2). We actively pursue patents, trademarks and service marks to protect our intellectual property within the U.S. and abroad. We maintain a significant global portfolio of patents, trademarks and service mark registrations. We have also entered into agreements that permit other companies, in exchange for fees and subject to appropriate safeguards and restrictions, to utilize certain of our trademarks and service marks. We periodically receive offers from third parties to obtain licenses for patent and other intellectual rights in exchange for royalties or other payments. We also receive notices asserting that our products or services infringe on their patents and other intellectual property rights. These claims, whether against us directly or against third-party suppliers of products or services that we, in turn, sell to our customers, such as wireless handsets, could require us to pay damages, royalties, stop offering the relevant products or services and/or cease other activities. While the outcome of any litigation is uncertain, we do not believe that the resolution of any of these infringement claims or the expiration or non-renewal of any of our intellectual property rights would have a material adverse effect on our results of operations.

## MAJOR CUSTOMER

No customer accounted for 10% or more of our consolidated revenues in 2011, 2010 or 2009.

## COMPETITION

Information relating to competition in each of our operating segments is contained in the Annual Report under the heading "Competition" beginning on page 42, and is incorporated herein by reference pursuant to General Instruction G(2).

## RESEARCH AND DEVELOPMENT

AT&T Labs' scientists and engineers conduct research in a variety of areas, including IP; advanced network design and architecture; network operations support systems; data mining technologies and advanced speech technologies. The majority of the development activities are performed by AT&T Services. The developers within AT&T Services work with our business units and AT&T Labs to create new services and invent tools and systems to manage secure and reliable networks for us and our customers. We also have a research agreement with Telcordia Technologies, formerly Bell Communications Research, Inc. Research and development expenses were $1,197 in 2011, $1,280 in 2010, and $993 million in 2009.

## EMPLOYEES

As of January 31, 2012, we employed approximately 256,000 persons. Approximately 55% of our employees are represented by the Communications Workers of America, the International Brotherhood of Electrical Workers or other unions. Contracts covering approximately 120,000 employees will expire during 2012. For contracts covering approximately 80,000 (mainly wireline) employees, the union is entitled to call a work stoppage in the absence of a new contract being reached.

At December 31, 2011, we had approximately 335,000 retirees who, along with their dependents, were eligible to receive retiree benefits.

**ITEM 1A. RISK FACTORS**

Information required by this Item is included in the Annual Report under the heading "Risk Factors" on pages 53 through 55 which is incorporated herein by reference pursuant to General Instruction G(2).

**CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS**

The following factors could cause our future results to differ materially from those expressed in the forward-looking statements:

- Adverse economic and/or capital access changes in the markets served by us or in countries in which we have significant investments, including the impact on customer demand and our ability and our suppliers' ability to access financial markets at favorable rates.
- Changes in available technology and the effects of such changes, including product substitutions and deployment costs.
- Increases in our benefit plans' costs, including increases due to adverse changes in the U.S. and foreign securities markets, resulting in worse-than-assumed investment returns and discount rates and adverse medical cost trends and unfavorable healthcare legislation and regulations.
- The final outcome of FCC and other federal agency proceedings and reopenings of such proceedings and judicial reviews, if any, of such proceedings, including issues relating to access charges, universal service, broadband deployment, E911 services, competition, net neutrality, unbundled loop and transport elements, availability of new spectrum from the FCC on fair and balanced terms, wireless license awards and renewals and wireless services, including data roaming agreements.
- The final outcome of regulatory proceedings in the states in which we operate and reopenings of such proceedings and judicial reviews, if any, of such proceedings, including proceedings relating to Interconnection terms, access charges, universal service, unbundled network elements and resale and wholesale rates; broadband deployment including our U-verse services; net neutrality; performance measurement plans; service standards; and traffic compensation.
- Enactment of additional state, federal and/or foreign regulatory and tax laws and regulations pertaining to our subsidiaries and foreign investments, including laws and regulations that reduce our incentive to invest in our networks, resulting in lower revenue growth and/or higher operating costs.
- Our ability to absorb revenue losses caused by increasing competition, including offerings that use alternative technologies (e.g., cable, wireless and VoIP) and our ability to maintain capital expenditures.
- The extent of competition and the resulting pressure on customer and access line totals and wireline and wireless operating margins.
- Our ability to develop attractive and profitable product/service offerings to offset increasing competition in our wireless and wireline markets.
- The ability of our competitors to offer product/service offerings at lower prices due to lower cost structures and regulatory and legislative actions adverse to us, including state regulatory proceedings relating to unbundled network elements and nonregulation of comparable alternative technologies (e.g., VoIP).
- The development of attractive and profitable U-verse service offerings; the extent to which regulatory, franchise fees and build-out requirements apply to this initiative; and the availability, cost and/or reliability of the various technologies and/or content required to provide such offerings.
- Our continued ability to attract and offer a diverse portfolio of wireless devices, some on an exclusive basis.
- The availability and cost of additional wireless spectrum and regulations and conditions relating to spectrum use, licensing and technical standards and deployment and usage, including network management rules.
- Our ability to manage growth in wireless data services, including network quality and acquisition of adequate spectrum at reasonable costs and terms.
- The outcome of pending, threatened or potential litigation, including patent and product safety claims by or against third parties.
- The impact on our networks and business from major equipment failures; security breaches related to the network or customer information; our inability to obtain handsets, equipment/software or have handsets, equipment/software serviced in a timely and cost-effective manner from suppliers; or severe weather conditions, natural disasters, pandemics, energy shortages, wars or terrorist attacks.
- The issuance by the Financial Accounting Standards Board or other accounting oversight bodies of new accounting standards or changes to existing standards.
- The issuance by the Internal Revenue Service and/or state tax authorities of new tax regulations or changes to existing standards and actions by federal, state or local tax agencies and judicial authorities with respect to applying applicable tax laws and regulations and the resolution of disputes with any taxing jurisdictions.
- Our ability to adequately fund our wireless operations, including payment for additional spectrum network upgrades and technological advancements.
- Changes in our corporate strategies, such as changing network requirements or acquisitions and dispositions, which may require significant amounts of cash or stock, to respond to competition and regulatory, legislative and technological developments.

Readers are cautioned that other factors discussed in this report, although not enumerated here, also could materially affect our future earnings.

**ITEM 2. PROPERTIES**

Our properties do not lend themselves to description by character and location of principal units. At December 31, 2011, approximately 81% of our property, plant and equipment was owned by our wireline subsidiaries and approximately 19% was owned by our wireless subsidiaries. Central office equipment represented 32%; Outside Plant (including cable, wiring and other non central office network equipment) represented approximately 30% of our telephone plant; other equipment, comprised principally of furniture and office equipment and vehicles and other work equipment, represented 20%; land, building and wireless communications towers represented 11%; and other miscellaneous property represented 6%.

Substantially all of the installations of central office equipment are located in buildings and on land we own. Many garages, administrative and business offices, and telephone centers and retail stores are in leased quarters. Property on which communication towers are located, may be either owned or leased.

**ITEM 3. LEGAL PROCEEDINGS**

We are a party to numerous lawsuits, regulatory proceedings and other matters arising in the ordinary course of business. Additional information regarding litigation is included in the Annual Report under the headings “Retiree Phone Concession Litigation,” “Wage and Hour Litigation,” “NSA Litigation” and “Universal Service Fees Litigation” on pages 46 through 47, which is incorporated herein by reference pursuant to General Instruction G(2). As of the date of this report, we do not believe any pending legal proceedings to which we or our subsidiaries are subject are required to be disclosed as material legal proceedings pursuant to this item.

We are subject from time to time to judicial and administrative proceedings brought by various governmental authorities under federal, state or local environmental laws. We are required to discuss one of these proceedings in our Forms 10-Q and 10-K, this proceeding is listed below because each could result in monetary sanctions (exclusive of interest and costs) of one hundred thousand dollars or more. However, we do not believe that any of them currently pending will have a material adverse effect on our results of operations.

(a) The U.S. Environmental Protection Agency (EPA) is seeking civil penalties from AT&T Mobility in connection with alleged violations of federal environmental statutes in connection with management of back-up power systems at AT&T Mobility facilities. The EPA’s allegations include noncompliance with requirements to obtain air emission permits for generators and to prepare spill prevention plans for fuel storage tanks. We expect to settle those allegations on terms that would include civil penalties in the range of $1 to $3 million dollars.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**EXECUTIVE OFFICERS OF THE REGISTRANT**
**(As of February 1, 2012)**

| Name | Age | Position | Held Since |
|---|---|---|---|
| Randall L. Stephenson | 51 | Chairman of the Board, Chief Executive Officer and President | 6/2007 |
| William A. Blase Jr. | 56 | Senior Executive Vice President – Human Resources | 6/2007 |
| James W. Cicconi | 59 | Senior Executive Vice President – External and Legislative Affairs, AT&T Services, Inc. | 11/2008 |
| Catherine M. Coughlin | 54 | Senior Executive Vice President and Global Marketing Officer | 6/2007 |
| Ralph de la Vega | 60 | President and Chief Executive Officer, AT&T Mobility | 10/2008 |
| John M. Donovan | 51 | Senior Executive Vice President – AT&T Technology and Network Operations | 1/2012 |
| Andrew M. Geisse | 55 | Senior Executive Vice President – AT&T Business and Home Solutions | 1/2012 |
| Forrest E. Miller* | 59 | Group President – Corporate Strategy and Development | 6/2007 |
| John T. Stankey | 49 | Group President and Chief Strategy Officer | 2/2012 |
| John J. Stephens | 52 | Senior Executive Vice President and Chief Financial Officer | 6/2011 |
| Wayne Watts | 58 | Senior Executive Vice President and General Counsel | 6/2007 |
| Rayford Wilkins, Jr.* | 60 | Chief Executive Officer – AT&T Diversified Businesses | 10/2008 |

*Retiring March 30, 2012.

All of the above executive officers have held high-level managerial positions with AT&T or its subsidiaries for more than the past five years, except for Mr. Donovan. Mr. Donovan was executive vice president of product, sales, marketing and operations at VeriSign Inc., a technology company that provides Internet infrastructure services, from November 2006 to April 2008. Mr. Donovan joined AT&T as Chief Technology Officer in April 2008. Executive officers are not appointed to a fixed term of office.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is listed on the New York Stock Exchange. The number of stockholders of record as of December 31, 2011 and 2010 was 1,301,479 and 1,372,019. The number of stockholders of record as of February 17, 2012, was 1,291,207. We declared dividends, on a quarterly basis, totaling $1.73 per share in 2011 and $1.69 per share in 2010.

Other information required by this Item is included in the Annual Report under the headings "Quarterly Financial Information" on page 91, "Selected Financial and Operating Data" on page 30, and "Stock Trading Information" on the back cover, which are incorporated herein by reference pursuant to General Instruction G(2).

**ITEM 6. SELECTED FINANCIAL DATA**

Information required by this Item is included in the Annual Report under the heading "Selected Financial and Operating Data" on page 30, which is incorporated herein by reference pursuant to General Instruction G(2).

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

Information required by this Item is included in the Annual Report on pages 31 through 56, which is incorporated herein by reference pursuant to General Instruction G(2).

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Information required by this Item is included in the Annual Report under the heading "Market Risk" on pages 51 through 52, which is incorporated herein by reference pursuant to General Instruction G(2).

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Information required by this Item is included in the Annual Report on pages 57 through 91, which is incorporated herein by reference pursuant to General Instruction G(2).

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

During our two most recent fiscal years, there has been no change in the independent accountant engaged as the principal accountant to audit our financial statements and the independent accountant has not expressed reliance on other independent accountants in its reports during such time period.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

The registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the registrant is recorded, processed, summarized, accumulated and communicated to its management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure, and reported within the time periods specified in the SEC's rules and forms. The Chief Executive Officer and Chief Financial Officer have performed an evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of December 31, 2011. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the registrant's disclosure controls and procedures were effective as of December 31, 2011.

**Internal Control Over Financial Reporting**

(a) Management's Annual Report on Internal Control over Financial Reporting
The management of AT&T is responsible for establishing and maintaining adequate internal control over financial reporting. AT&T's internal control system was designed to provide reasonable assurance as to the integrity and reliability of the published financial statements. AT&T management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2011. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework* . Based on its assessment, AT&T management believes that, as of December 31, 2011, the Company's internal control over financial reporting is effective based on those criteria.

(b) Attestation Report of the Registered Public Accounting Firm
The registered public accounting firm that audited the financial statements included in the Annual Report containing the disclosure required by this Item, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting. The attestation report issued by Ernst & Young LLP is included in the Annual Report on page 94, which is incorporated herein by reference pursuant to General Instruction G(2).

**ITEM 9B. OTHER INFORMATION**

There is no information that was required to be disclosed in a report on Form 8-K during the fourth quarter of 2011 but was not reported.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information regarding executive officers required by Item 401 of Regulation S-K is furnished in a separate disclosure at the end of Part I of this report since the registrant did not furnish such information in its definitive proxy statement prepared in accordance with Schedule 14A. Information regarding directors required by Item 401 of Regulation S-K is incorporated herein by reference pursuant to General Instruction G(3) from the registrant's definitive proxy statement, dated on or about March 9, 2011 (Proxy Statement) under the heading "Election of Directors."

There is no disclosure in this Form 10-K of reporting person delinquencies in response to Item 405 of Regulation S-K and the registrant, at the time of filing this Annual Report on Form 10-K, has reviewed the information necessary to ascertain, and has determined that Item 405 disclosure is not expected to be contained in this Form 10-K or incorporated herein by reference.

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the committee are Messrs. Chico, Kelly and Madonna and Ms. Tyson. The additional information required by Item 407(d)(5) of Regulation S-K is incorporated herein by reference pursuant to General Instruction G(3) from the registrant's Proxy Statement under the heading "Audit Committee."

The registrant has adopted a code of ethics entitled "Code of Ethics" that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer, or controller or persons performing similar functions. The additional information required by Item 406 of Regulation S-K is provided in this report under the heading "General" under Part I, Item 1. Business.

**ITEM 11. EXECUTIVE COMPENSATION**

Information required by Item 402(k) of Regulation S-K is incorporated herein by reference pursuant to General Instruction G(3) from the registrant's Proxy Statement under the heading "Compensation of Directors." Information regarding officers is included in the registrant's Proxy Statement on the pages beginning with the heading "Compensation Discussion and Analysis" and ending with, and including, the pages under the heading "Potential Payments upon Change in Control" which are incorporated herein by reference pursuant to General Instruction G(3). Information required by Item 407(e)(5) of Regulation S-K is included in the registrant's Proxy Statement under the heading "Compensation Committee Report" and is incorporated herein by reference pursuant to General Instruction G(3) and shall be deemed furnished in this Annual Report on Form 10-K and will not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by Item 403 of Regulation S-K is included in the registrant's Proxy Statement under the heading "Common Stock Ownership," which is incorporated herein by reference pursuant to General Instruction G(3).

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2011, concerning shares of AT&T common stock authorized for issuance under AT&T's existing equity compensation plans.

| Equity Compensation Plan Information | | | |
|---|---|---|---|
| **Plan Category** | **Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)** | **Weighted-average exercise price of outstanding options, warrants and rights (b)** | **Number of securities remaining available for future issuance under equity compensation Plans (excluding securities reflected in column (a)) (c)** |
| **Equity compensation plans approved by security holders** | 54,719,855 (1) | $30.17 | 120,659,837 (2) |
| **Equity compensation plans not approved by security holders** | 14,409,771 (3) | $34.37 | 0 |
| **Total** | **69,129,626 (4)** | **$31.65** | **120,659,837** |

(1) Includes the issuance of stock in connection with the following stockholder approved plans: (a) 20,978,906 stock options under the 1996 Stock and Incentive Plan, 2001 Incentive Plan, and Stock Purchase and Deferral Plan (SPDP), (b) 2,016,811 phantom stock units under the Stock Savings Plan (SSP), 5,641,603 phantom stock units under the SPDP, and 3,876,413 restricted stock units under the 2006 Incentive Plan, (c) 13,933,552 target number of stock-settled performance shares under the 2006 Incentive Plan, and (d) 12,808 target number of stock-settled performance shares under the 2011 Incentive Plan. At payout, the target number of performance shares may be reduced to zero or increased by up to 150% (220,432 of the performance shares under the 2006 Incentive Plan may be increased by up to 200%). Each phantom stock unit and performance share is settleable in stock on a 1-to-1 basis. The weighted-average exercise price in the table does not include outstanding performance shares or phantom stock units.

The SSP was approved by stockholders in 1994 and then was amended by the Board of Directors in 2000 to increase the number of shares available for purchase under the plan (including shares from the Company match and reinvested dividend equivalents) and shares subject to options. Stockholder approval was not required for the amendment. To the extent applicable, the amount shown for approved plans in column (a), in addition to the above amounts, includes 2,889,928 phantom stock units (computed on a first-in-first-out basis) and 5,360,513 stock options that were approved by the Board in 2000. Under the SSP, shares could be purchased with payroll deductions and reinvested dividend equivalents by mid-level and above managers and limited Company partial matching contributions. No new contributions may be made to the plan. In addition, participants received approximately 2 options for each share purchased with employee payroll deductions. The options have a 10-year term and a strike price equal to the fair market value of the stock on the date of grant.

(2) Includes 10,301,866 shares that may be issued under the SPDP, 89,888,357 shares that may be issued under the 2011 Incentive Plan, and up to 4,172,934 shares that may be purchased through reinvestment of dividends on phantom shares held in the SSP.

(3) Number of outstanding stock options under the 1995 Management Stock Option Plan (1995 MSOP), which has not been approved by stockholders. The 1995 MSOP provides for grants of stock options to management employees (10-year terms) subject to vesting requirements and shortened exercise terms upon termination of employment. No further options may be issued under this plan.

(4) Does not include certain stock options issued by companies acquired by AT&T that were converted into options to acquire AT&T stock. As of December 31, 2011, there were 25,383,452 shares of AT&T common stock subject to the converted options, having a weighted-average exercise price of $29.00. Also, does not include 88,242 outstanding phantom stock units that were issued by companies acquired by AT&T that are convertible into stock on a 1-to-1 basis, along with up to 64,270 shares that may be purchased with reinvested dividend equivalents paid on the outstanding phantom stock units. These units have no exercise price. No further phantom stock units, other than reinvested dividends, may be issued under the assumed plans. The weighted-average exercise price in the table does not include outstanding performance shares or phantom stock units.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information required by Item 404 of Regulation S-K is included in the registrant's Proxy Statement under the heading "Related Person Transactions," which is incorporated herein by reference pursuant to General Instruction G(3). Information required by Item 407(a) of Regulation S-K is included in the registrant's Proxy Statement under the heading "Independence of Directors," which is incorporated herein by reference pursuant to General Instruction G(3).

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information required by this Item is included in the registrant's Proxy Statement under the heading "Principal Accountant Fees and Services," which is incorporated herein by reference pursuant to General Instruction G(3).

**Part IV**

**ITEM 15. EXHIBITS and FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as a part of the report:


| | Page |
|---|---|
| (1) Report of Independent Registered Public Accounting Firm | * |
| Financial Statements covered by Report of Independent Registered Public Accounting Firm: | |
| Consolidated Statements of Income | * |
| Consolidated Balance Sheets | * |
| Consolidated Statements of Cash Flows | * |
| Consolidated Statements of Changes in Stockholders' Equity | * |
| Notes to Consolidated Financial Statements | * |


* Incorporated herein by reference to the appropriate portions of the registrant's Annual Report to Stockholders for the fiscal year ended December 31, 2011. (See Part II.)


| | Page |
|---|---|
| (2) Financial Statement Schedules: | |
| II - Valuation and Qualifying Accounts | 21 |


Financial statement schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

(3) Exhibits:

Exhibits identified in parentheses below, on file with the SEC, are incorporated herein by reference as exhibits hereto. Unless otherwise indicated, all exhibits so incorporated are from File No. 1-8610.

| Exhibit Number | |
|---|---|
| 2 | Stock Purchase Agreement by and Between Deutsche Telekom AG and AT&T Inc. dated March 20, 2011. (Exhibit 2.1 to Form 8-K dated March 20, 2011.) |
| 3-a | Restated Certificate of Incorporation, filed with the Secretary of State of Delaware on May 1, 2009. (Exhibit 3 to Form 10-Q filed for June 30, 2009.) |
| 3-b | Bylaws amended June 24, 2011. (Exhibit 3 to Form 8-K dated June 24, 2011.) |
| 4-a | Certificate of Designations for Perpetual Cumulative Preferred Stock of SBC Communications Inc., filed with the Secretary of State of the State of Delaware on November 18, 2005. (Contained in Restated Certificate of Incorporation filed as Exhibit 3-a.) |
| 4-b | No instrument which defines the rights of holders of long-term debt of the registrant and all of its consolidated subsidiaries is filed herewith pursuant to Regulation S-K, Item 601b)(4)(iii)(A), except for the instruments referred to in 4-c, 4-d, 4-e, 4-f, 4-g, 4-h and 4-i below. Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument not filed herewith to the SEC upon request. |
| 4-c | Guaranty of certain obligations of Pacific Bell Telephone Co. and Southwestern Bell Telephone Co. |
| 4-d | Guaranty of certain obligations of Ameritech Capital Funding Corp., Indiana Bell Telephone Co. Inc., Michigan Bell Telephone Co., Pacific Bell Telephone Co., and Wisconsin Bell, Inc. |
| 4-e | Guarantee of certain obligations of AT&T Corp. |
| 4-f | Guarantee of certain obligations of BellSouth. |
| 4-g | Cingular Third Supplemental Indenture. |
| 4-h | Indenture dated as of November 1, 1994 between SBC Communications Inc. and The Bank of New York, as Trustee. (Exhibit 4-h to Form 10-K for 2008.) |
| 10-a | Short Term Incentive Plan, dated November 18, 2005. (Exhibit 10-a to Form 10-K for 2008.) |
| 10-b | 2001 Incentive Plan, dated November 18, 2005. (Exhibit 10-t to Form 10-K for 2008.) |
| 10-c | 2006 Incentive Plan, amended and restated effective through January 28, 2010. (Exhibit 10-c to Form 10-Q filed for June 30, 2010.) |
| 10-d | 2011 Incentive Plan. (Exhibit 10.4 to Form 10-Q filed for March 31, 2011.) |
| 10-e | 1995 Management Stock Option Plan, dated November 16, 2001. (Exhibit 10-w to Form 10-K for 2008.) |
| 10-f | Supplemental Life Insurance Plan, amended and restated effective January 1, 2010. (Exhibit 10-d to Form 10-Q filed for June 30, 2009.) |
| 10-g | Supplemental Retirement Income Plan, amended and restated December 31, 2008. (Exhibit 10-c to Form 10-K for 2008.) |
| 10-h | 2005 Supplemental Employee Retirement Plan, amended and restated December 15, 2011. (Exhibit 10.1 to Form 8-K dated December 15, 2011.) |

10-i Senior Management Deferred Compensation Plan (effective for Units of Participation Having a Unit Start Date Prior to January 1, 1988). (Exhibit 10-d to Form 10-K for 2008.)

10-j Senior Management Deferred Compensation Program of 1988 (effective for Units of Participation Having a Unit Start Date of January 1, 1988 or later). (Exhibit 10-e to Form 10-K for 2008.)

10-k Salary and Incentive Award Deferral Plan, dated December 31, 2004.

10-l Stock Savings Plan, dated December 31, 2004.

10-m Stock Purchase and Deferral Plan, amended and restated June 24, 2010. (Exhibit 10-b to Form 10-Q filed for June 30, 2010.)

10-n Cash Deferral Plan, amended and restated June 24, 2010. (Exhibit 10-a to Form 10-Q filed for June 30, 2010.)

10-o Master Trust Agreement for AT&T Inc. Deferred Compensation Plans and Other Executive Benefit Plans and subsequent amendments dated August 1, 1995 and November 1, 1999. (Exhibit 10-dd to Form 10-K for 2009.)

10-p Officer Disability Plan, amended and restated effective January 1, 2010. (Exhibit 10-i to Form 10-Q filed for June 30, 2009.)

10-q AT&T Inc. Health Plan, amended and restated effective January 1, 2011.

10-r AT&T Management Relocation Plan.

10-r(i) Amendment to AT&T Management Relocation Plan, dated November 20, 2008. (Exhibit 10-ww to Form 10-Q filed for March 31, 2009.)

10-s Pension Benefit Makeup Plan No.1, amended and restated December 31, 2010. (Exhibit 10-jj to Form 10-K for 2010.)

10-t AT&T Inc. Change in Control Severance Plan, amended and restated effective January 1, 2011. (Exhibit 10-v to Form 10-K for 2010.)

10-u AT&T Inc. Equity Retention and Hedging Policy. (Exhibit 10.2 to Form 8-K dated December 15, 2011.)

10-v Form of Non-Disclosure and Non-Solicitation Agreement. (Exhibit 10-jjj to Form 10-K for 2009.)

10-w Administrative Plan, amended and restated effective January 1, 2011. (Exhibit 10-k to Form 10-K for 2010.)

10-x Retirement Plan for Non-Employee Directors.

10-y Non-Employee Director Stock and Deferral Plan, amended and restated June 26, 2008. (Exhibit 10-f to Form 10-Q filed for June 30, 2008.)

10-z Non-Employee Director Stock Purchase Plan, effective June 27, 2008. (Exhibit 10-e to Form 10-Q filed for June 30, 2008.)

10-aa Communications Concession Program for Directors, amended and restated November 2009. (Exhibit 10-y to Form 10-K for 2009.)

10-bb Form of Indemnity Agreement, effective July 1, 1986, between SBC (now AT&T Inc.) and its directors and officers.

10-cc Transition Agreement by and between BellSouth Corporation and Rafael de la Vega, dated December 29, 2003.

10-dd Transition Agreement.

10-ee Transition Agreement.

10-ff Agreement and Release and Waiver of Claims between Richard G. Lindner and AT&T Inc. (Exhibit 10.1 to Form 8-K/A dated March 4, 2011.)

10-gg Pacific Telesis Group Supplemental Cash Balance Plan, amended as of July 1, 1996.

10-hh Pacific Telesis Group Deferred Compensation Plan for Nonemployee Directors.

10-hh(i) Resolutions amending the Plan, effective November 21, 1997.

10-ii Pacific Telesis Group Outside Directors' Deferred Stock Unit Plan.

10-jj Pacific Telesis Group 1996 Directors' Deferred Compensation Plan.

10-jj(i) Resolutions amending the Plan, effective November 21, 1997. (Contained in and filed as Exhibit 10-hh(i)).

10-kk Pacific Telesis Group 1996 Executive Deferred Compensation Plan, amended November 20, 2008. (Exhibit 10-u to Form 10-K for 2008.)

10-ll Pacific Telesis Group Executive Deferral Plan, amended November 20, 2008. (Exhibit 10-z to Form 10-K for 2008.)

10-mm AT&T Corp. Executive Deferred Compensation Plan (formerly known as AT&T Corp. Senior Management Incentive Award Deferral Plan), amended and restated January 1, 2008. (Exhibit 10-hh to Form 10-K for 2008.)

10-nn Master Trust Agreement for AT&T Corp. Deferred Compensation Plans and Other Executive Benefit Plans, effective January 13, 1994.

10-nn(i) First Amendment to Master Trust Agreement, effective December 23, 1997.

10-oo AT&T Corp. Senior Management Long Term Disability and Survivor Protection Plan, amended December 31, 2008. (Exhibit 10-xx to Form 10-K for 2008.)

10-pp AT&T Corp. Non-Qualified Pension Plan, as amended and restated effective December 31, 2008. (Exhibit 10-ggg to Form 10-K for 2008.)

10-qq AT&T Corp. Excess Benefit and Compensation Plan, as amended and restated effective December 31, 2008. (Exhibit 10-hhh to Form 10-K for 2008.)

10-rr AT&T Corp. 1997 Long Term Incentive Program, dated March 14, 2000.

10-ss BellSouth Corporation Nonqualified Deferred Compensation Plan, dated January 1, 2005.

10-tt BellSouth Officer Compensation Deferral Plan, amended January 1, 2005. (Exhibit 10-mm to Form 10-K for 2009.)

10-uu BellSouth Corporation Deferred Compensation Plan for Non-Employee Directors, dated March 9, 1984.

10-vv BellSouth Corporation Director's Compensation Deferral Plan, as amended and restated effective as of January 1, 2005.

10-ww BellSouth Corporation Stock Plan, dated April 24, 1995.

10-xx BellSouth Corporation Stock and Incentive Compensation Plan, as amended June 28, 2004. (Exhibit 10-qq for Form 10-K for 2009.)

10-xx(i) First Amendment to the BellSouth Corporation Stock and Incentive Compensation Plan, dated September 26, 2005.

10-xx(ii) Second Amendment to BellSouth Corporation Stock and Incentive Compensation Plan, effective June 26, 2008. (Exhibit 10-qq(ii) to Form 10-K for 2008.)

10-yy BellSouth Corporation Supplemental Executive Retirement Plan, amended and restated as of December 31, 2011. (Exhibit10-zz to Form 10-Q filed for September 30, 2011.)

10-zz BellSouth Corporation Non-Employee Director Non-Qualified Stock Option Terms and Conditions (for options granted under the BellSouth Corporation Stock and Incentive Compensation Plan). (Exhibit 10-tt to Form 10-K for 2009.)

10-aaa BellSouth Corporation Amended And Restated Trust Under Board Of Directors Benefit Plan(s), effective October 11, 2006.

10-bbb BellSouth Non-Employee Directors Charitable Contribution Program, effective February 29, 1992.

10-bbb(i) First Amendment to the Non-Employee Directors Charitable Contribution Program, effective January 27, 1997.

10-bbb(ii) Second Amendment to the Non-Employee Directors Charitable Contribution Program, effective February 25, 2002.

10-ccc BellSouth Split-Dollar Life Insurance Plan, as amended December 31, 2008, and restated effective January 1, 2005. (Exhibit 10-iii to Form 10-K for 2008.)

10-ddd BellSouth Supplemental Life Insurance Plan, amended and restated November 1, 2009. (Exhibit 10-aaa to Form 10-K for 2009.)

10-eee BellSouth Compensation Deferral Plan, as amended and restated effective January 1, 2005.

10-fff BellSouth Nonqualified Deferred Income Plan, as amended and restated effective January 1, 2005. (Exhibit 10-eee to Form 10-K for 2008.)

10-ggg BellSouth Corporation Executive Incentive Award Deferral Plan, as amended and restated effective January 1, 2008.

10-hhh Cingular Wireless Cash Deferral Plan, effective November 1, 2001.

10-iii Cingular Wireless Long Term Compensation Plan, amended and restated effective November 1, 2007.

10-jjj Cingular Wireless BLS Executive Transition Benefit Plan.

10-kkk Cingular Wireless SBC Executive Transition Benefit Plan.

10-lll AT&T Mobility 2005 Cash Deferral Plan.

10-mmm 364 Day Credit Agreement dated December 19, 2011. (Exhibit 10-b to Form 8-K dated December 19, 2011.)

| | |
|---|---|
| 10-nnn | Amended and Restated Four Year Credit Agreement dated December 19, 2011. (Exhibit 10-a to Form 8-K dated December 19, 2011.) |
| 10-ooo | Credit Agreement dated as of March 31, 2011, among AT&T Inc., Bank of America, N.A., Barclays Capital, and Citibank, N.A. (Exhibit 10.a to Form 8-K dated March 31, 2011.) |
| 10-ppp | Stockholder's Agreement by and between Deutsche Telekom AG and AT&T Inc. dated March 20, 2011 (Exhibit 10.1 to Form 8-K dated March 20, 2011.) |
| 10-qqq | Letter Agreement to Deutsche Telekom AG (exhibit 10 to Form 8-K dated December 19, 2011.) |
| 12 | Computation of Ratios of Earnings to Fixed Charges |
| 13 | Portions of AT&T's Annual Report to Stockholders for the fiscal year ended December 31, 2011. Only the information incorporated by reference into this Form 10-K is included in the exhibit. |
| 21 | Subsidiaries of AT&T Inc. |
| 23 | Consent of Ernst & Young LLP, independent registered public accounting firm for AT&T. |
| 24 | Powers of Attorney. |
| 31 | Rule 13a-14(a)/15d-14(a) Certifications<br>31.1 Certification of Principal Executive Officer<br>31.2 Certification of Principal Financial Officer |
| 32 | Section 1350 Certification |
| 101 | XBRL Instance Document |

We will furnish to stockholders upon request, and without charge, a copy of the Annual Report to Stockholders and the Proxy Statement, portions of which are incorporated by reference in the Form 10-K. We will furnish any other exhibit at cost.

**AT&T INC.**
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**
**Allowance for Doubtful Accounts**
Dollars in Millions

| COL. A | COL. B | COL. C | | | COL. D | COL. E |
|---|---|---|---|---|---|---|
| | | Additions | | | | |
| | Balance at Beginning of Period | (1) Charged to Costs and Expenses (a) | (2) Charged to Other Accounts (b) | (3) Acquisitions | Deductions (c) | Balance at End of Period |
| **Year 2011** | **$ 957** | **1,136** | **38** | **-** | **1,253** | **$ 878** |
| Year 2010 | $ 1,202 | 1,334 | (28) | - | 1,551 | $ 957 |
| Year 2009 | $ 1,268 | 1,762 | 29 | 2 | 1,859 | $ 1,202 |

(a) Excludes direct charges and credits to expense on the consolidated statements of income and reinvested earnings related to interexchange carrier receivables.
(b) Includes amounts previously written off which were credited directly to this account when recovered and amounts related to long-distance carrier receivables which were billed by AT&T.
(c) Amounts written off as uncollectible.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 24 th day of February, 2012.

AT&T INC.

/s/ John J. Stephens
John J. Stephens
Senior Executive Vice President
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Principal Executive Officer:
Randall Stephenson*
Chairman of the Board, Chief Executive Officer
and President

Principal Financial and Accounting Officer:
John J. Stephens
Senior Executive Vice President
and Chief Financial Officer

/s/ John J. Stephens
John J. Stephens, as attorney-in-fact
and on his own behalf as Principal
Financial Officer and Principal
Accounting Officer

February 24, 2012

Directors:

| | |
|---|---|
| Randall L. Stephenson* | Jon C. Madonna* |
| Gilbert F. Amelio* | Lynn M. Martin* |
| Reuben V. Anderson* | John B. McCoy* |
| James H. Blanchard* | Joyce M. Roché* |
| Jaime Chico Pardo* | Matthew K. Rose* |
| James P. Kelly* | Laura D'Andrea Tyson* |

* by power of attorney

GUARANTEE UNDERTAKING
OF
SBC COMMUNICATIONS, INC.

I, the Assistant Treasurer of SBC Communications Inc. (the "Corporation"), pursuant to the authority granted to me in the Schedule of Authorizations of the Corporation, dated as of December 19, 1997, hereby undertake on behalf of the Corporation for the benefit of the respective holders of the Debt Securities (as defined below), as follows:

(1) The Corporation hereby unconditionally and irrevocably guarantees the punctual and full payment of all amounts payable by each of Pacific Bell ("PacBell") and Southwestern Bell Telephone Company ("SWBell") under each of the outstanding Debt Securities as and when the same shall become due and payable (whether at stated maturity, by declaration of acceleration, call for redemption, repayment at the option of the holder or otherwise, in accordance with the terms of each Debt Security and of each indenture under which such security was issued) (the "Guarantee").

(2) The Guarantee with respect to each outstanding Debt Security will continuously remain in effect until the entire principal of (and premium, if any) and interest, if any, on such Debt Security shall have been paid in full.

(3) The Guarantee will constitute the direct, absolute and unconditional, unsubordinated and unsecured obligation of the Corporation ranking pari passu with all of its unsecured and unsubordinated obligations.

(4) The holders of each Debt Security are entitled to enforce their rights under the indenture relating to such security directly against the Corporation, without first instituting a proceeding against the issuer of such security or any other person or entity, upon any event of default in payment of principal, or premium, if any, or interest, if any, on such security (whether at stated maturity, by declaration of acceleration, call for redemption, repayment at the option of the holder or otherwise).

(5) This Guarantee undertaking is enforceable to the fullest extent permitted by law.

(6) For the purposes of this Guarantee undertaking, the term "Debt Securities" shall mean the following: (a) Pacbell's Ten Year 7 1/4% Notes due July 1, 2002, Twelve Year 6 1/4% Notes due March 1, 2005, Thirty Year 6 7/8% Debentures due August 15, 2023, Thirty-Three Year 7 1/8% Debentures due March 15, 2026, Forty Year 7 1/2% Debentures due February 1, 2033, Forty-One Year 6 5/8% Debentures due October 15, 2034, Thirty-Six Year 6% Debentures due November 1, 2002 and the Thirty-Five Year 6 1/2% Debentures due July 1, 2003; and (b) SWBell's Seven Year 6 1/8% Notes due March 1, 2000, Eight Year 6 3/8% Notes due April 1, 2001, Twelve Year 6 5/8% Notes due April 1, 2005, Forty Year 6 7/8% Debentures due February 1, 2011, Twenty-two Year 7% Debentures due July 1, 2015, Thirty Year 7 5/8% Debentures due March 1, 2023, Thirty-Two Year 7 1/4% Debentures due July 15, 2025, its Fifty Year 6 7/8% Debentures due March 31, 2048, Thirty-Six Year 5 7/8% Debentures due June 1, 2003, Forty Year 5 3/8% Debentures due June 1, 2006 and it Forty Year 6 3/4% Debentures due June 1, 2008.

(7) The Guarantee is effective on the date hereof.

IN WITNESS WHEREOF, I have executed this Guarantee undertaking.

Dated: November 8, 1999

/s/ Roger Wohlert
Name: Roger Wohlert
Title: Assistant Treasurer

GUARANTEE UNDERTAKING
OF
THE ASSISTANT TREASURER
OF
SBC COMMUNICATIONS, INC.

I, the Assistant Treasurer of SBC Communications Inc. (the "Corporation"), pursuant to the authority granted to me in the Schedule of Authorizations of the Corporation, dated as of November 19, 1999, hereby undertake on behalf of the Corporation for the benefit of the respective holders of the Subject Debt Securities (as defined below), as follows:

(1) The Corporation hereby unconditionally and irrevocably guarantees, as long as all of the outstanding shares of stock of a Subsidiary, as defined below, are owned, directly or indirectly, by the Corporation the punctual and full payment of all amounts payable by such Subsidiary Southwestern Bell Telephone Company, Pacific Bell Telephone Company, The Southern New England Telephone Company, Southern New England Telecommunications Corporation, Ameritech Capital Funding Corporation, The Ohio Bell Telephone Company, Wisconsin Bell, Inc., Michigan Bell Telephone Company, Indiana Bell Telephone Company Inc., and Illinois Bell Telephone Company (each, a "Subsidiary"), under each of the outstanding Debt Securities as and when the same shall become due and payable (whether at stated maturity, by declaration of acceleration, call for redemption, repayment at the option of the holder or otherwise, in accordance with the terms of each Debt Security and of each indenture under which such security was issued) (the "Guarantee"). In the event the Corporation sells, transfers or otherwise disposes of any percentage of its stock ownership of a Subsidiary, and, as a result of such sale, transfer or other disposition, such Subsidiary is no longer a wholly-owned subsidiary of the Corporation, then this Guarantee shall expire immediately and the Corporation shall be released immediately from any and all of its obligations hereunder.

(2) Subject to the provision of Section (1) hereof, the Guarantee with respect to each outstanding Debt Security will continuously remain in effect until the entire principal of (and premium, if any) and interest, if any, on such Debt Security shall have been paid in full.

(3) The Guarantee will constitute the direct, absolute and unconditional, unsubordinated and unsecured obligation of the Corporation ranking pari passu with all of its unsecured and unsubordinated obligations.

(4) The holders of each Debt Security are entitled to enforce their rights under the indenture relating to such security directly against the Corporation, without first instituting a proceeding against the issuer of such security or any other person or entity, upon any event of default in payment of principal, or premium, if any, or interest, if any, on such security (whether at stated maturity, by declaration of acceleration, call for redemption, repayment at the option of the holder or otherwise).

(5) This Guarantee undertaking is enforceable to the fullest extent permitted by law.

(6) For the purposes of this Guarantee undertaking, the term "Debt Securities" shall mean the following:

See enclosed Exhibit A

(7) The Guarantee is effective on the date hereof.

IN WITNESS WHEREOF, I have executed this Guarantee undertaking.

Dated: January 5, 2000

/s/ Roger Wohlert
Name: Roger Wohlert
Title: Assistant Treasurer

**Exhibit A**

The appendix (Exhibit A) has been updated to reflect matured and redeemed issuances.

Pacific Bell Telephone Company ("pb")

| Subsidiary | Principal | Coupon | Settlement | Maturity |
|---|---|---|---|---|
| pb/deb | 300,000,000 | 7.375% | 07/15/93 | 07/15/43 |

Ameritech Capital Funding Corporation ("AmerCC")

| Subsidiary | Principal | Coupon | Settlement | Maturity |
|---|---|---|---|---|
| AmerCC/sink | 96,300,000 | 9.100% | 06/11/91 | 06/01/16 |
| AmerCC/deb | 300,000,000 | 6.450% | 01/21/98 | 01/15/18 |
| AmerCC/deb | 200,000,000 | 6.875% | 10/10/97 | 10/15/27 |
| AmerCC/deb | 400,000,000 | 6.550% | 01/21/98 | 01/15/28 |
| AmerCC/deb | 11,589,000 | 5.950% | 01/15/98 | 01/15/38 |

Wisconsin Bell Inc. ("Wisc")
Michigan Bell Telephone Company ("Mich")
Indiana Bell Telephone Company Inc. ("Ind")

| Subsidiary | Principal | Coupon | Settlement | Maturity |
|---|---|---|---|---|
| Mich/deb | 200,000,000 | 7.850% | 01/15/92 | 01/15/22 |
| Ind/deb | 150,000,000 | 7.300% | 08/20/96 | 08/15/26 |
| Wisc/deb | 125,000,000 | 6.350% | 11/25/96 | 12/01/26 |

**Exhibit 4-e**

**GUARANTEE UNDERTAKING**
**OF**
**THE ASSISTANT TREASURER**
**OF**
**AT&T INC.**

I, Charles P. Allen, the Assistant Treasurer of AT&T Inc. (the "Corporation"), pursuant to the authority granted to me in the Schedule of Authorizations of the Corporation, dated as of July 25, 2003, hereby undertake on behalf of the Corporation for the benefit of the respective holders of each Subject Debt Security (as defined below), as follows:

(1) The Corporation hereby unconditionally and irrevocably guarantees the punctual and full payment of all amounts payable by AT&T Corp. under each outstanding Subject Debt Security as and when the same shall become due and payable (whether at stated maturity, by declaration of acceleration, call for redemption, repayment at the option of the holder or otherwise, in accordance with the terms of each Subject Debt Security and of each indenture under which such security was issued) (the "Guarantee").

(2) The Guarantee with respect to each outstanding Subject Debt Security will continuously remain in effect until the entire principal of and interest, if any, on such Subject Debt Security shall have been paid in full.

(3) The Guarantee will constitute the direct, absolute and unconditional, unsubordinated and unsecured obligation of the Corporation ranking pari passu with all of its unsecured and unsubordinated obligations.

(4) The holders of each Subject Debt Security are entitled to enforce their rights under the indenture relating to such security directly against the Corporation, without first instituting a proceeding against the issuer of such security or any other person or entity, upon any event of default in payment of principal, or interest, if any, on such security (whether at stated maturity, by declaration of acceleration, call for redemption, repayment at the option of the holder or otherwise).

(5) This Guarantee undertaking is enforceable to the fullest extent permitted by law.

(6) For the purposes of this Guarantee undertaking, the term "Subject Debt Security" shall mean the following:

AT&T Corp.'s 8.25% (original coupon 6.50%) Notes due 11/15/06

AT&T Corp.'s 9.05% (original coupon 7.30%) Notes due 11/15/11 and

AT&T Corp.'s 9.75% (original coupon 8.00%) Notes due 11/15/31.

(7) The Guarantee is effective on the date hereof.

IN WITNESS WHEREOF, I have executed this Guarantee undertaking.

Dated: December 16, 2005

/s/ Charles P. Allen
Name: Charles P. Allen
Title: Assistant Treasurer

**EXHIBIT 4-f**

**GUARANTEE UNDERTAKING**
**OF**
**THE ASSISTANT TREASURER**
**OF**
**AT&T INC.**

I, Charles P. Allen, the Assistant Treasurer of AT&T Inc. (the "Corporation"), pursuant to the authority granted to me in the Schedule of Authorizations of the Corporation, dated as of November 18, 2005, hereby undertake on behalf of the Corporation for the benefit of the respective holders of the Subject Debt Security (as defined below), as follows:

(1) The Corporation hereby unconditionally and irrevocably guarantees the punctual and full payment of all amounts payable by BellSouth Corp. under the outstanding Subject Debt Security as and when the same shall become due and payable (whether at stated maturity, by declaration of acceleration, call for redemption, repayment at the option of the holder or otherwise, in accordance with the terms of the Subject Debt Security and of the indenture under which such security was issued) (the "Guarantee").

(2) The Guarantee with respect to the outstanding Subject Debt Security will continuously remain in effect until the entire principal of (and premium, if any) and interest, if any, on such Subject Debt Security shall have been paid in full.

(3) The Guarantee will constitute the direct, absolute and unconditional, unsubordinated and unsecured obligation of the Corporation ranking pari passu with all of its unsecured and unsubordinated obligations.

(4) The holders of the Subject Debt Security are entitled to enforce their rights under the indenture relating to such security directly against the Corporation, without first instituting a proceeding against the issuer of such security or any other person or entity, upon any event of default in payment of principal, or premium, if any, or interest, if any, on such security (whether at stated maturity, by declaration of acceleration, call for redemption, repayment at the option of the holder or otherwise).

(5) This Guarantee undertaking is enforceable to the fullest extent permitted by law.

(6) For the purposes of this Guarantee undertaking, the term "Subject Debt Security" shall mean the following:

BellSouth Corp.'s Two Year Floating Rate Notes due August 15, 2008 ($1.2 billion principal amount).

(7) The Guarantee is effective on the date hereof.

IN WITNESS WHEREOF, I have executed this Guarantee undertaking.

Dated: December 29, 2006

/s/ Charles P. Allen
Name: Charles P. Allen
Title: Managing Director - Assistant Treasurer

**EXHIBIT 4-g**

NEW CINGULAR WIRELESS SERVICES, INC.

(F/K/A AT&T Wireless Services, Inc.),

CINGULAR WIRELESS LLC,

CINGULAR WIRELESS II, LLC

(F/K/A Cingular Wireless II, Inc.),

AT&T INC.

AND

U.S. BANK NATIONAL ASSOCIATION
Trustee

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THIRD SUPPLEMENTAL INDENTURE

Dated as of December 29, 2006

THIRD SUPPLEMENT TO INDENTURE DATED AS OF APRIL 11, 2002

THIRD SUPPLEMENTAL INDENTURE, dated as of December 29, 2006, by and among New Cingular Wireless Services, Inc. (f/k/a AT&T Wireless Services, Inc.), a Delaware corporation (the "Company"), Cingular Wireless LLC, a Delaware limited liability company ("Cingular Wireless"), Cingular Wireless II, LLC (f/k/a Cingular Wireless II, Inc., a Delaware limited liability company ("Cingular Wireless II")), AT&T Inc., a Delaware corporation ("AT&T" and, together with Cingular Wireless, and Cingular Wireless II, the "Co-Obligors"), and U.S. Bank National Association, a national banking association, as Trustee (the "Trustee").

RECITALS

WHEREAS, the Company and the Trustee have heretofore executed and delivered a certain indenture, dated as of April 11, 2002 (as supplemented and amended, the "Indenture"), pursuant to which the Company has issued its 6.875% Senior Notes due April 18, 2005 (paid at maturity), its 7.500% Senior Notes due May 1, 2007 (the "2007 Notes") and its 8.125% Senior Notes due May 1, 2012 (the "2012 Notes"), and which provides for the issuance from time to time of its unsecured debentures, notes and other evidences of indebtedness (together with the 2007 Notes and the 2012 Notes, the "Securities");

WHEREAS, the Company and the Trustee have heretofore executed and delivered a Supplemental Indenture, dated as of September 1, 2004 (the "First Supplemental Indenture"), to the Indenture;

WHEREAS, the Company, Cingular Wireless, Cingular Wireless II and the Trustee have heretofore executed and delivered a Supplemental Indenture, dated as of October 26, 2004 (the "Second Supplemental Indenture"), to the Indenture;

WHEREAS, Section 8.1 of the Indenture permits entering into, at any time and from time to time, without the consent of any Holders, one or more indentures supplemental to the Indenture for the purposes of, among other things, curing any ambiguity, defect or inconsistency contained in the Indenture, and making other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the Holders of Securities of any series in any material respect;

WHEREAS, AT&T has become the owner, directly or indirectly, of all the issued and outstanding common stock of Cingular Wireless Corporation, the manager of Cingular Wireless, and, directly or indirectly, all of the equity interests in the Co-Obligors and wishes to become a "Co-Obligor" within the meaning of Section 2.2(a) hereof;

WHEREAS, this Third Supplemental Indenture is being effected pursuant to Section 8.1 of the Indenture;

WHEREAS, the Company has furnished the Trustee with (i) an Opinion of Counsel to the Company stating that this Third Supplemental Indenture complies with the applicable provisions of the Indenture, and (ii) an Officers' Certificate stating that this Third Supplemental Indenture complies with the applicable provisions of the Indenture; and

WHEREAS, all things necessary to make this Third Supplemental Indenture a valid, binding and legal agreement of the Company, the Co-Obligors, AT&T and the Trustee and a valid amendment of and supplement to the Indenture have been done.

NOW, THEREFORE, THIS THIRD SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, and for other good and valuable consideration the receipt of which is hereby acknowledged, the Company, the Co-Obligors and the Trustee hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions.

For all purposes of this Third Supplemental Indenture, except as otherwise stated herein, capitalized terms used herein but not otherwise defined in this Third Supplemental Indenture shall have the respective meanings assigned to them in the Indenture. Each reference to "herein", "hereof" and "hereunder" and other words of similar import contained in the Indenture shall, after this Third Supplemental Indenture becomes effective, refer to the Indenture as supplemented hereby.

ARTICLE II
AMENDMENT

Section 2.1 Amendment of Introductory Paragraph.

The first paragraph of the Indenture immediately preceding the first recital is hereby deleted and replaced in its entirety by the following:

"INDENTURE, dated as of April 11, 2002, among AT&T Wireless Services, Inc., a Delaware corporation (the "Company"), Cingular Wireless LLC, a Delaware limited liability company ("Cingular Wireless"), Cingular Wireless II, Inc., a Delaware corporation ("Cingular Wireless II"), AT&T Inc., a Delaware corporation ("AT&T", which, together with Cingular Wireless and Cingular Wireless II, shall be Co-Obligors under this Indenture) and U.S. Bank National Association, a national banking association organized under the laws of the United States, as Trustee."

Section 2.2 Addition of Certain Definitions.

The definition of "Co-Obligors" in Section 1.01 of the Indenture is hereby deleted and replaced in its entirety by the following:

"CO-OBLIGOR" means each of Cingular Wireless, Cingular Wireless II, AT&T, any Person that shall have become the successor to Cingular Wireless, Cingular Wireless II or AT&T pursuant to the applicable provisions of this Indenture, and any other Corporation that shall have fully, unconditionally and irrevocably assumed and agreed to perform and discharge, or guaranteed the performance and discharge of, jointly and severally with the Company and any other Co-Obligor of the Securities, the obligation to pay the principal of, and interest and Additional Amounts, if any, on, the Securities on the dates and in the manner provided herein and in the Securities."

Section 2.3 Amendment of Section 9.7 of the Indenture.

All references to "the Company" contained in Section 9.7 of the Indenture shall be understood to refer to, and at all times since the execution of the Second Supplemental Indenture to have referred to, any Co-Obligor.

ARTICLE III
MISCELLANEOUS

Section 3.1 Effectiveness.

The amendments to the Indenture set forth in Article II of this Third Supplemental Indenture shall only become effective upon the execution of this Third Supplemental Indenture in accordance with the requirements of the Indenture.

Section 3.2 Confirmation of Indenture.

As amended and modified by this Third Supplemental Indenture, the Indenture is in all respects ratified and confirmed and the Indenture and this Third Supplemental Indenture shall be read, taken and construed as one and the same instrument.

Section 3.3 Governing Law.

This Third Supplemental Indenture shall be governed by and construed in accordance with the law of the State of New York without regard to conflicts of law principles thereof.

Section 3.4 Counterparts.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 3.5 Successors and Assigns.

All covenants and agreements in this Third Supplemental Indenture by the Company and the Co-Obligors shall bind their respective successors and assigns, whether so expressed or not.

Section 3.6 Conflicts.

In the event of a conflict between the terms and conditions of the Indenture and the terms and conditions of this Third Supplemental Indenture, the terms and conditions of this Third Supplemental Indenture shall prevail.

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed all as of the day and year first above written.

NEW CINGULAR WIRELESS SERVICES, INC. (F/K/A AT&T Wireless Services, Inc.)

By /s/ Sean Foley
Name: Sean Foley
Title: Vice President - Treasurer

CINGULAR WIRELESS LLC

By: CINGULAR WIRELESS CORPORATION,
as Manager

By /s/ Sean Foley
Name: Sean Foley
Title: Vice President - Treasury and
Corporate Development

CINGULAR WIRELESS II, LLC
(F/K/A Cingular Wireless II, Inc.)

By: CINGULAR WIRELESS CORPORATION,
as Manager

By: /s/ Sean Foley
Name: Sean Foley
Title: Vice President - Treasury and
Corporate Development

AT&T Inc.

By /s/ Charles P. Allen
Name: Charles P. Allen
Title: Managing Director - Assistant
Treasurer

U.S. BANK, National Association
as Trustee

By /s/ Raymond S. Haverstock

Name: Raymond S. Haverstock
Title: Vice President

**Exhibit 10-k**

# SALARY AND INCENTIVE AWARD DEFERRAL PLAN

Effective: January 1, 1984
Revision Effective: December 31, 2004

**AT&T INC.**

**SALARY AND INCENTIVE AWARD DEFERRAL PLAN**

As amended through December 31, 2004

**Article 1 - Statement of Purpose**

The purpose of the Salary and Incentive Award Deferral Plan ("Plan") is to provide a select group of management employees consisting of Eligible Employees of AT&T Inc. ("AT&T" or the "Company") and its Subsidiaries with a means for deferring the receipt of income.

**Article 2 - Definitions**

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context indicates otherwise:

**Base Compensation.** The following types of cash-based compensation, in each case as determined by AT&T, paid by an Employer (but not including payments made by a non-Employer, such as state disability payments), before reduction due to any contribution pursuant to this Plan or reduction pursuant to any deferral plan of an Employer, including but not limited to a plan that includes a qualified cash or deferral arrangement under Section 401(k) of the Internal Revenue Code, as amended ("Code"):

(a) annual base salary.

Payments by an Employer under a Disability plan made in lieu of any compensation described in (a) above, shall be deemed to be a part of the compensation it replaces for purposes of this definition. Base Compensation does not include the TEAM Award (the annual award determined to be the "Team Award" by AT&T together with the individual award determined by AT&T to be the Individual Discretionary Award made in connection therewith) or comparable awards, if any, determined by AT&T to be used in lieu of these awards, commissions or zone allowances or any other geographical differential and shall not include payments made in lieu of unused vacation or other paid days off, and such payments shall not be contributed to this Plan.

**Business Day** . Any day during regular business hours that AT&T is open for business.

**Chairman.** The Chairman of the Board of Directors of AT&T Inc.

**Committee.** The Human Resources Committee of the Board of Directors of AT&T Inc.

**Declared Rate.** The interest rate for each calendar year as determined by the Senior Executive Vice President-Human Resources, with the concurrence of the Senior Executive Vice President, Chief Financial Officer and Treasurer and announced on or before January 1 of the applicable calendar year. However, in no event will the Declared Rate for any calendar be less than the Moody's Corporate Bond Yield Average-Monthly Average Corporates as published by Moody's Investor's Service, Inc. (or any successor thereto) for the month of September before the calendar year in question, or, if such yield is no longer published, a substantially similar average selected by the Senior Executive Vice President-Human Resources or his or her successor.

**Disability.** Absence of an Employee from work with an Employer under the relevant Employer's disability plan.

**Eligible Employee.** Eligible Employee. An Employee who:
(a) is a full time, salaried Employee of AT&T or an Employer in which AT&T has a direct or indirect 100% ownership interest and who is on active duty, Disability (but only while such Employee is deemed by the Employer to be an Employee of such Employer) or Leave of Absence;

(b) is, as determined by AT&T, a member of Employer's "select group of management or highly compensated employees" within the meaning of the Employment Retirement Income Security Act of 1974, as amended, and regulations thereunder ("ERISA"); and

(c) is (i) an Officer or (ii) a non-Officer Employee who has been approved by AT&T to be eligible to participate in this Plan.

Notwithstanding the foregoing, AT&T may, from time to time, exclude any Employee or group of Employees from being deemed an "Eligible Employee" under this Plan.

In the event a court or other governmental authority determines that an individual was improperly excluded from the class of persons who would be considered Eligible Employees during a particular time for any reason, that individual shall not be an Eligible Employee for purposes of the Plan for the period of time prior to such determination.

**Employee.** Any person employed by an Employer, excluding persons hired for a fixed maximum term and excluding persons who are neither citizens nor permanent residents of the United States, all as determined by AT&T. For purposes of this Plan, a person on Leave of Absence who otherwise would be an Employee shall be deemed to be an Employee.

**Employer.** AT&T Inc. or any of its Subsidiaries.

**Executive Officer.** A person identified as an "executive officer" of AT&T in the then most recent AT&T Form 10-K containing such information that was filed with the United States Securities and Exchange Commission or who subsequent to such filing was notified by AT&T's General Counsel to be an executive officer of AT&T.

**Grandfathered Senior Manager** . An individual who, as of January 31, 2003, is not an Officer but is a Participant in the Plan.

**Incentive Award.** A cash award paid by an Employer (and not by a non-Employer, such as state disability payments) as either a short term or long term award under the Short Term Incentive Plan, the 1996 Stock and Incentive Plan, or the 2001 Incentive Plan; or paid by an Employer as the Key Executive Officer Short Term Award paid under the 1996 Stock and Incentive Plan or the 2001 Incentive Plan; or any other award that the Committee designates as a short term or long term incentive award specifically for purposes of this Plan (regardless of the purpose of the award) including an award which would otherwise be paid in stock, other than stock of AT&T.

**Leave of Absence.** Where a person is absent from employment with an Employer on a formally granted leave of absence (i.e., the absence is with formal permission in order to prevent a break in the continuity of term of employment, which permission is granted (and not revoked) in conformity with the rules of the Employer which employs the individual, as adopted from time to time). For purposes of this Plan, a Leave of Absence shall be deemed to also include a transfer by an Employer of a person to, and continuous employment by, an entity for a rotational work assignment. In the event a transfer to such an entity lasts more than 5 years or the rotational work assignment status is canceled by AT&T, it shall be deemed a Termination of Employment with the Employer at that time for purposes of this Plan. To be a rotational work assignment, the Employer must have indicated in writing to the person that the person was to be rehired by the Employer on termination of the rotational work assignment.

**Officer** . An individual who is designated as an officer level employee for compensation purposes on the records of AT&T.

**Participant.** An Eligible Employee or former Eligible Employee who participates in this Plan.

**Pre-Tax Account.** The account maintained on a pre-tax basis on the books of account of AT&T for each Participant.

**Retirement or Retire.** . "Retirement" or “Retire” shall mean the termination of an Eligible Employee's employment with AT&T or any of its subsidiaries, for reasons other than death, on or after the earlier of the following dates: (1) solely with respect to Officers and Grandfathered Senior Managers, the date the Officer or Grandfathered Senior Manager has attained age 55, and, for an Officer who became a participant on or after January 1, 2002, has five (5) years of service, or (2) the date the Eligible Employee has attained one of the following combinations of age and service at termination of employment on or after April 1, 1997, except as otherwise indicated below:

| Net Credited Service | Age |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

With respect to an Eligible Employee who is granted an EMP Service Pension under and pursuant to the provisions of the AT&T Pension Benefit Plan - Nonbargained Program ("SBCPBP") upon termination of Employment, the term "Retirement" shall include such Eligible Employee's termination of employment.

**Senior Manager** . An individual who is designated as a Senior Manager or a Grandfathered Senior Manager for compensation purposes on the records of AT&T.

**Subsidiary.** Any corporation, partnership, venture or other entity in which AT&T holds, directly or indirectly, a 50% or greater ownership interest. AT&T may, at its sole discretion, designate any other corporation, partnership, venture or other entity a Subsidiary for the purpose of participating in this Plan.
3

**Termination of Employment.** References herein to “Termination of Employment,” "Terminate Employment" or a similar reference, shall mean the event where the Employee ceases to be an Employee of any Employer, including but not limited to where the employing company ceases to be an Employer.

**Termination Under EPR** . In determining whether an Eligible Employee’s termination of employment under the Enhanced Pension and Retirement Program (“EPR”) is a Retirement for purposes of this Plan, five years shall be added to each of age and net credited service (“NCS”). If with such additional age and years of service, (1) an Eligible Employee upon such termination of employment under EPR is Retirement Eligible according to the AT&T Supplemental Retirement Income Plan (“SRIP”) or (2) the Eligible Employee upon such termination of employment under EPR has attained one of the following combinations of age and service,

| Actual NCS + 5 Years | Actual Age + 5 Years |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

then such termination of employment shall be a Retirement for all purposes under this Plan and the Eligible Employee shall be entitled to the treatment under this Plan afforded in the case of a termination of employment which is a Retirement.

**Article 3 - Administration of the Plan**

The Committee shall be the administrator of the Plan and will administer the Plan, interpret, construe and apply its provisions and determine entitlement to benefits, all in its discretion. The Committee may further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. References to determinations or other actions by AT&T, herein, shall mean actions authorized by the Committee, the Chairman, the Senior Executive Vice President of AT&T in charge of Human Resources, or their respective successors or duly authorized delegates, in each case in the discretion of such person; except that with respect to Executive Officers, only the Committee may take such action. All decisions by AT&T shall be final and binding.

**Article 4 - Contributions**

Notwithstanding anything in this Plan to the contrary, there shall be no Employee Contributions or contributions of deferred amounts related to Incentive Awards which would otherwise have been distributed in shares of stock other than shares of common stock of AT&T to the Plan after December 31, 2004.

**4.1 Election to Make Contributions.**

(a) An Eligible Employee may elect to participate in the Plan through payroll deductions contributed to the Plan as follows (such contributions to the Plan are "Employee Contributions"):

1. An Eligible Employee who is an Officer or a Grandfathered Senior Manager may elect to contribute up to 50% (in whole percentage increments) of his or her monthly Base Compensation, as the same may change from time to time; provided, however, any Base Compensation deferral hereunder is conditioned upon a 30% Base Compensation deferral election being in effect in the Stock Savings Plan.

2. An Eligible Employee who is an Officer or a Senior Manager may elect to contribute up to 100% (in whole percentage increments or a specified dollar amount) of an Incentive Award.

(b) An Eligible Employee may only make an election, change an election, or terminate an election to make Employee Contributions as follows:

1. An Employee who is an Eligible Employee as of September 30 may make an election on or prior to the last Business Day of the immediately following November with respect to the contribution of Base Compensation, if authorized hereunder, and/or Incentive Awards paid on or after the immediately following January 1.

2. An Employee who was not an Eligible Employee as of September 30 but who is an Eligible Employee the immediately following March 31 may make an election on or prior to the last Business Day of the immediately following May with respect to the contribution of Base Compensation, if authorized hereunder, and/or Incentive Awards paid on or after the immediately following July 1.

AT&T may refuse or terminate any election to make Employee Contributions at any time.

In the event the Participant takes a hardship withdrawal from a benefit plan qualified under the Code and sponsored by AT&T or an Employer, any election to make Employee Contributions by such Participant shall be immediately cancelled, and the Participant shall not be permitted to make a new election with respect to Employee Contributions that would be contributed during the then current and immediately following calendar year.

**4.2 Contributions To Pre-Tax Account** ; **Interest/Dividends.**

(a) Employee Contributions shall be made solely pursuant to a proper election and only during the Employee's lifetime and while the Employee remains an Eligible Employee (if the Employee ceases to be an Eligible Employee, his or her election to make Employee Contributions shall be cancelled); provided, however, Termination of Employment of an Eligible Employee shall not constitute loss of eligibility solely with respect to contribution of Base Compensation (if otherwise permitted hereunder) that is earned prior to termination but paid within 60 days thereafter or with respect to an Incentive Award paid after Retirement (and such person shall be deemed an Eligible Employee for such contributions).

(b) Employee Contributions shall be credited to the Participant's Pre-Tax Account in accordance with the provisions of Section 4.2(e) and such contributions and earnings thereon shall bear interest beginning the first day of the month at the applicable Declared Rate on the balance from month-to-month in such account. The interest will be credited monthly to the account at one-twelfth of the annual Declared Rate for that calendar year compounded quarterly.

(c) In addition, if the Participant's account under the Bell System Senior Management Incentive Award Deferral Plan ("Predecessor Plan") was transferred to this Plan as of January 1, 1984, the effective date of this Plan, then the Participant's Pre-Tax Account under this Plan shall be credited as of such date with the amount credited to the Participant's account under the Predecessor Plan as of December 31, 1983, and such amount shall bear interest in accordance with the terms of this Plan.

(d) Deferred amounts related to Incentive Awards which would otherwise have been distributed in shares of stock other than shares of common stock of AT&T shall be credited to the Participant's Pre-Tax Account as deferred shares. The Participant's Pre-Tax Account shall also be credited on each dividend payment date with an amount equivalent to the dividend payable on the number of such shares equal to the number of deferred shares in the Participant's Pre-Tax Account on the record date for such dividend. Such amount shall then be converted to a number of additional deferred shares determined by dividing such amount by the closing price of such shares on the New York Stock Exchange on such date, or if not listed on such exchange, then on the principal market for such shares. If not traded on such exchange on such date, then the closing price on the next preceding day the stock was so traded shall be utilized.

In the event of a merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, stock split, share combination, or stock dividend, stock split or other change in the corporate structure of the issuer of stock described in the preceding paragraph, affecting such stock, the Committee shall make an adjustment to the number and class of shares of deferred stock, in its discretion, to avoid any dilution or enlargement of rights.

(e) A contribution to the Plan shall be made when the compensation – from which the contribution is to be deducted – is paid using the "check date" shown on the related pay record (sometimes referred to as the "paycheck stub") as the contribution date (if no "check date" is shown, then the date of the pay record). When there is an underpayment or delayed payment of gross compensation for any reason, the related contribution shall be determined and made when the underpayment or delayed payment is paid, again using the date of the pay record. When there is an overpayment of gross compensation, the amount of the overpayment will not be considered in determining the contribution amount.

**Article 5 - Distributions**

**5.1 Distributions From Pre-Tax Account.**

(a) Retirement . Beginning March 10 (or such other date as determined by AT&T) of the first (1st) calendar year following the calendar year of the Retirement of a Participant and on March 10 (or such other date as determined by AT&T) of each of the successive 14 calendar years, AT&T shall distribute to the Participant that portion of the Participant's Pre-Tax Account that is equal to the total dollar amount of the Participant's Pre-Tax Account (and/or number of deferred shares then held in the Participant's Pre-Tax Account) divided by the number of remaining installments. Notwithstanding the foregoing, if the Participant Retires prior to 2001, then any undistributed portion of the Participant's Pre-Tax Account will be distributed in a lump sum on March 10 of the fifteenth (15 th ) calendar year following the calendar year of the Retirement of the Participant.

(b) Non-Retirement Termination of Employment . Beginning March 10 (or such other date as determined by AT&T) of the calendar year following the calendar year of Termination of Employment which is not a Retirement and on March 10 (or such other date as determined by AT&T) of each of the successive 2 calendar years, AT&T shall distribute that portion of the Participant's Pre-Tax Account that is equal to the total dollar amount of the Participant's Pre-Tax Account (and/or number of deferred shares held in the Participant's Pre-Tax Account) divided by the number of remaining installments.

(c) Death . Notwithstanding (a) or (b) above to the contrary, in the event of the death of a Participant, any amounts remaining in the Participant's Pre-Tax Account (and/or number of deferred shares then held in the Participant's Pre-Tax Account) shall be promptly distributed to the Participant's beneficiary designated in accordance with the AT&T Rules for Employee Beneficiary Designations, as the same may be amended from time to time ("Rules"). If no designation has been made or if all designated beneficiaries predecease the Participant, the Participant's Pre-Tax Account shall be distributed according to the Rules.

Notwithstanding any other provision of this Plan, if a surviving beneficiary of a Plan participant disclaims in whole or in part, that beneficiary's interest or share in the distribution of the Plan participant's Plan proceeds, and such disclaimer satisfies the requirements of Section 2518(b) of the Internal Revenue Code (or any successor provision) and any applicable state law, such disclaimer shall not constitute an assignment, transfer or alienation by any method of such interest or share or proceeds and the portion of such proceeds subject to such disclaimer shall be distributed as if that beneficiary had predeceased the Plan participant.

(d) Discharge for Cause/Non Competition . Notwithstanding any other provision of this Plan to the contrary, all amounts (including deferred shares) then credited to the Participant's Pre-Tax Account shall be paid immediately in a single payment if a Participant is discharged for cause by his or her Employer, or if a Participant otherwise ceases to be employed by his or her Employer and engages in competition with AT&T or any direct or indirect Subsidiary thereof or with any business with which a Subsidiary of AT&T or an affiliated company has a substantial interest (collectively referred to herein as an "Employer Business"), or becomes employed by a governmental agency having jurisdiction over the activities of AT&T or any of its Subsidiaries. For purposes hereof, engaging in competition with any Employer business shall mean engaging by the Participant in any business or activity in the same geographical market where the same or substantially similar business or activity is being carried on as an Employer business. Such term shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer business. However, engaging in competition with an Employer business shall include representing or providing consulting services to, or being an employee of, any person or entity that is engaged in competition with any Employer business or that takes a position adverse to any Employer business in a judicial, regulatory, legislative or administrative proceeding. Further, engaging in competition with an Employer business would result if the Participant either engages directly in competitive activity or in any capacity in any location becomes employed by, associated with, or renders service to any company, or parent or affiliate thereof, or any subsidiary of any of them, if any of them is engaged in competition with an Employer business, regardless of the position or duties the Participant takes and regardless of whether or not the employing company, or the company that the Participant becomes associated with or renders service to, is itself engaged in direct competition with an Employer business.

(e) Deferred amounts held pending distribution shall continue to be credited with interest or additional deferred shares, as applicable, determined in accordance with Section 4.2(b) or 4.2 (d), as applicable.

(f) The obligation to make distribution of deferred amounts credited to a Participant's Pre-Tax Account during any calendar year, plus the additional amounts credited on such deferred amounts pursuant to Section 4.2(b) or 4.2(d), as applicable, shall be borne by AT&T or the applicable Employer which otherwise would have paid the related award currently. However, the obligation to make distributions with respect to deferred amounts which are related to amounts credited to a Participant's Pre-Tax Account as of the effective date of the Plan pursuant to Section 4.2(c), and with respect to which no AT&T company would otherwise have paid the related award currently, shall be borne by the Employer which employed the Participant on the effective date of the Plan.

(g) For the purpose of this Plan, a beneficiary designation like that described in Section 5.1(c) that was made under the comparable provisions of the Predecessor Plan shall be considered as a beneficiary designation made under Section 5.1(c).

(h) Notwithstanding the other provisions of this Section 5.1 to the contrary, but subject to the provisions of Section 5.2(b), a Participant who was a Participant on, and made contributions to the Plan prior to, September 1, 2000, may request that receipt of the cash portion of Participant's Pre-Tax Account be deferred to Participant's death, or to be received earlier if
accelerated in accordance with the provisions of 5.2(a). Approval of such request shall be in AT&T's sole discretion.

**5.2 Accelerated Distribution.**

(a) On or before the last Business Day of a calendar year, a Participant may elect to receive a distribution of all or a portion of the Participant's Pre-Tax Account. Such distribution shall be made March 10 (or such other date as determined by AT&T) of the immediately following calendar year. This distribution shall be in addition to the portion of the Pre-Tax Account to be distributed at the same time under Section 5.1, which distribution shall be calculated without regard to an election under this section. No distribution under this Section 5.2(a) shall be made of amounts contributed to or earned under this Plan in the same calendar year as the distribution.

(b) In the event the Participant Terminates Employment for reasons other than Retirement, AT&T may, at its sole discretion, accelerate the distribution of all or a

portion of a Participant's Pre-Tax Account to the date of AT&T's choosing, without notice to, or the consent of, the Participant.

**5.3 Small Distribution.**

Notwithstanding any election made by the Participant, after the Termination of Employment of the Participant for any reason, if at the time the total value of the Participant's Pre-Tax Account is less than $10,000, AT&T may, in its discretion, distribute all of such account in the form of a lump sum distribution.

**5.4 Determination by Internal Revenue Service.**

In the event that a final determination shall be made by the Internal Revenue Service or any court of competent jurisdiction that a Participant has recognized gross income for Federal income tax purposes in excess of the portion of Participant's Pre-Tax Account actually distributed by AT&T, AT&T shall promptly distribute to the Participant that portion of Participant's Pre-Tax Account to which such additional gross income is attributable.

**5.5 Emergency Distribution** .

In the event that AT&T, upon written petition of the Participant, determines in its sole discretion that the Participant has suffered an unforeseeable financial emergency, AT&T shall distribute to the Participant, as soon as practicable following such determination, that portion of Participant's Pre-Tax Account determined by AT&T in its sole discretion to meet the emergency (the "Emergency Distribution. For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. Upon such distribution, any election to make Employee Contributions by such Participant shall be immediately cancelled, and the Participant shall not be permitted to make a new election with respect to Employee Contributions that would be contributed during the then current and immediately following calendar year.

**5.6 Ineligible Participant.**

Notwithstanding any other provisions of this Plan to the contrary, if AT&T receives an opinion from counsel selected by AT&T, or a final determination is made by a Federal, state or
local government or agency, acting within its scope of authority, to the effect that an individual is not, or was not at the time of his or her making Employee Contributions to this Plan, to be a member of Employer's "select group of management or highly compensated employees" within the meaning of ERISA, then such person will not be eligible to participate in this Plan and shall receive an immediate lump sum distribution of the Participant's Pre-Tax Account. Upon such payment no other distribution shall thereafter be payable under this Plan either to the individual or any beneficiary of the individual, except as provided under Section 8.1 Additional Benefit.

**Article 6 - Transition Provisions**

The transition rules of this Article 6 shall supercede all other terms of this Plan.

**6.1 Effective Dates.**

Except as otherwise provided herein, the amendments to this Plan made September 1, 2000 (the "2000 Amendments") shall be effective September 1, 2000, and no election regarding the further deferral of a distribution of contributions to this Plan may be made on or after September 1, 2000.

**6.2 Combination of Existing Contributions.**

(a) Effective January 1, 2001, all prior contributions made to the Plan by a Participant shall be combined into Participant's single Pre-Tax Account.

(b) To the extent any Participant who Retires before 2001 would, were it not for the 2000 Amendments, under valid elections made prior to September 1, 2000, receive a distribution that would extend the Participant’s distributions beyond 2015, then the contributions so affected shall not be combined with other contributions and shall be distributed in accordance with such elections. Notwithstanding the foregoing, the Participant may, with the consent of AT&T, elect to have all of Participant's contributions to the Plan governed by this Plan as in effect after September 1, 2000.

(c) In the event a Participant dies prior to 2001, the Participant's accounts shall not be combined with and shall be distributed in accordance with the Plan as it existed immediately prior to September 1, 2000.

**6.3 Termination of Elections.**

(a) Distributions from the Plan that would be made in the year 2000 under the Plan as it existed immediately prior to September 1, 2000, based on elections made before September 1, 2000, shall continue to be made in the year 2000 as provided in the Plan immediately prior to September 1, 2000. All other distribution elections are cancelled, including but not limited to distributions which have already commenced, but only to the extent such elections call for distributions after the year 2000. All amounts (or shares) remaining undistributed after such distributions shall be held and distributed in accordance with the terms of the Plan as in effect after September 1, 2000.

(b) Contributions to the Plan that would be made in the year 2000 under the Plan as it existed immediately prior to September 1, 2000, based on elections made before September 1, 2000, shall continue to be made in the year 2000 as provided in the Plan immediately prior to September 1, 2000. Elections to participate in the Plan shall not automatically be renewed for the year 2001. Each Eligible Employee must make a new election after September 1, 2000, in order to make Employee Contributions after 2000. Provided, however, valid elections made prior to September 1, 2000, to contribute Incentive Awards in 2001 shall be valid elections under this Plan.

**6.4 Annual Base Salary Contribution Transition.**

Annual base salary earned prior to January 1, 2001, shall be contributed when earned, while annual base salary earned on or after such date shall be contributed when paid. In order to avoid any double contribution of annual base salary, that part of annual base salary earned in the year 2000 shall not be included in any determination of contributions to the Plan in a later calendar year, even though paid in such calendar year.

**Article 7 - Discontinuation, Termination, Amendment** .

**7.1 AT&T's Right to Terminate Plan.**

The Committee may terminate the Plan at any time. Upon termination of the Plan, contributions shall no longer be made under the Plan.

After termination of the Plan, Participants shall continue to earn interest/dividend equivalents and shall continue to receive all distributions under this Plan at such time as provided in and pursuant to the terms and conditions of this Plan at the time of the Plan's termination.

**7.2 Amendment** .

This Plan may be modified or terminated at any time in accordance with the provisions of AT&T's Schedule of Authorizations; provided, however, that no amendment, including but not limited to an amendment to this section, shall be effective, without the consent of a Participant, to alter, to the material detriment of such Participant, the distributions described in this Plan as applicable to the Participant or to decrease such Participant's Pre-Tax Account. For purposes of this section, an alteration to the material detriment of a Participant shall mean a material reduction in the period of time over which Participant's Pre-Tax Account may be distributed to a Participant or a reduction in the amounts then credited to a Participant's Pre-Tax Account. Any such consent may be in a writing, telecopy, or e-mail or in another electronic format. An election to make Employee Contributions and the failure to terminate an election to make Employee Contributions when able to do so shall each be conclusively deemed to be the consent of the Participant to any and all amendments to the Plan prior to such election or failure to terminate an election, and such consent shall be a condition to making any election with respect to Employee Contributions.

**Article 8 – Miscellaneous**

**8.1 Additional Benefit.**

The reduction of any benefit payable under the AT&T Pension Benefit Plan (or comparable plan identified by AT&T as a replacement therefor), which results from participation in this Plan, will be restored as an additional benefit ("make-up piece") under this Plan. The Participant shall elect prior to commencement of payment of the make-up piece whether to receive such benefit in cash in a lump sum (consisting of the present value equivalent of the pension retirement benefit (life annuity) make-up piece) or such benefit in

an annuity form of payment . Notwithstanding the proceeding provisions of this section, if all or a portion of the make-up piece is paid pursuant to SRIP or another non-qualified plan, then such amount shall not be payable pursuant to this Plan.

**8.2 Tax Withholding** .

Upon a distribution from Participant's Pre-Tax Account, AT&T shall withhold such amount (or shares) as determined by AT&T to satisfy the minimum amount of Federal, state, and local taxes required by law to be withheld as a result of such distribution, or such greater amount as specified by the Participant.

**8.3 Elections and Notices.**

Notwithstanding anything to the contrary contained in this Plan, all elections and notices of every kind shall be made on forms prepared by AT&T or the General Counsel, Secretary or Assistant Secretary, or their respective delegates or shall be made in such other manner as permitted or required by AT&T or the General Counsel, Secretary, or Assistant Secretary, or their respective delegates, including through electronic means, over the Internet or otherwise. An election shall be deemed made when received by AT&T (or its designated agent, but only in cases where the designated agent has been appointed for the purposes of receiving such election), which may waive any defects in form. Unless made irrevocable by the electing person, each election with regard to making Employee Contributions or distributions under the Plan shall become irrevocable at the close of business on the last day to make such election. AT&T may limit the time an election may be made in advance of any deadline.

If not otherwise specified by this Plan or AT&T, any notice or filing required or permitted to be given to AT&T under the Plan shall be delivered to the principal office of AT&T, directed to the attention of the Senior Executive Vice President-Human Resources of AT&T or his or her successor. Such notice shall be deemed given on the date of delivery.

Notice to the Participant shall be deemed given when mailed (or sent by telecopy) to the Participant's work or home address as shown on the records of AT&T or, at the option of AT&T, to the Participant's e-mail address as shown on the records of AT&T. It is the Participant's responsibility to ensure that the Participant's addresses are kept up to date on the records of AT&T. In the case of notices affecting multiple Participants, the notices may be given by general distribution at the Participants' work locations.

By participating in the Plan, each Participant agrees that AT&T may provide any documents required or permitted under the Federal or state securities laws, including but not limited to the Securities Act of 1933 and the Securities Exchange Act of 1934 by e-mail, by e-mail attachment, or by notice by e-mail of electronic delivery through AT&T's Internet Web site or by other electronic means.

**8.4 Unsecured General Creditor** .

Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any property or assets of any Employer. No assets of any Employer shall be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of any Employer under this Plan. Any and all of each Employer's assets shall be, and remain, the general, unpledged, unrestricted assets of such Employer. The only obligation of an Employer under the Plan shall be merely that of an unfunded and unsecured promise of AT&T to make distributions under, and in accordance with the terms of, the Plan.

**8.5 Offset** .

AT&T may offset against the amount (or shares) otherwise distributable to a Participant, any amounts due an Employer by a Participant, including but not limited to overpayments under any compensation or benefit plans.

**8.6 Non-Assignability** .

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt, any amounts (or shares) distributable under the Plan, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amount (or shares) distributable shall, prior to actual distribution, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Not withstanding the foregoing, in the event a Participant becomes employed by Cingular Wireless LLC ("Cingular") or an entity directly or indirectly owned by Cingular and elects or has elected to have his or her interest in this Plan transferred to the Cingular Wireless Cash Deferral Plan, the Participant shall have no further interest in the transferred amounts under this Plan and shall look solely to Cingular for any rights previously held under this Plan.

**8.7 Employment Not Guaranteed** .

Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any employee any right to be retained in the employ of an Employer or to serve as a director.

**8.8 Errors.**

At any time AT&T may correct any error made under the Plan without prejudice to AT&T. Such corrections may include, among other things, refunding contributions to a Participant with respect to any period he or she made Employee Contributions while not an Eligible Employee, or canceling the enrollment of a non-Eligible Employee.

**8.9 Captions** .

The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control nor affect the meaning or construction of any of its provisions.

**8.10 Governing Law** .

To the extent not preempted by Federal law, the Plan, and all awards and agreements hereunder, and any and all disputes in connection therewith, shall be governed by and construed in accordance with the substantive laws of the State of Texas, without regard to conflict or choice of law principles which might otherwise refer the construction, interpretation or enforceability of this Plan to the substantive law of another jurisdiction.

Because awards under the Plan are granted in Texas, records relating to the Plan and awards thereunder are located in Texas, and the Plan and awards thereunder are administered in Texas, the Company and the Participant to whom an award under this Plan is granted, for themselves and their successors and assigns, irrevocably submit to the exclusive and sole jurisdiction and venue of the state or federal courts of Texas with respect to any and all disputes arising out of or relating to this Plan, the subject matter of this Plan or any awards under this Plan, including but not limited to any disputes arising out of or relating to the interpretation and enforceability of any awards or the terms and conditions of this Plan. To achieve certainty regarding the appropriate forum in which to prosecute and defend actions arising out of or relating to this Plan, and to ensure consistency in application and interpretation of the Governing Law to the Plan, the parties agree that (a) sole and exclusive appropriate venue for any such action shall be an appropriate federal or state court in Bexar County, Texas, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Texas court, and no other, (c) such Texas court shall have sole and exclusive jurisdiction over the person of such parties and over the subject matter of any dispute relating hereto and (d) that the parties waive any and all objections and defenses to bringing any such action before such Texas court, including but not limited to those relating to lack of personal jurisdiction, improper venue or *forum non conveniens* .

**8.11 Validity** .

In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

**8.12 Successors and Assigns** .

This Plan shall be binding upon AT&T and its successors and assigns.

# AT&T INC.

# STOCK SAVINGS PLAN

As amended through December 31, 2004

## Article 1 - Statement of Purpose

The purpose of the Stock Savings Plan ("Plan") is to increase stock ownership by, and to provide retirement and savings opportunities to, a select group of management employees consisting of Eligible Employees of AT&T Inc. ("AT&T" or the "Company") and its Subsidiaries.

## Article 2 - Definitions

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context indicates otherwise:

**After-Tax Account.** The account maintained on an after-tax basis on the books of account of AT&T for each Participant.

**Base Compensation.** The following types of cash-based compensation, in each case as determined by AT&T, paid by an Employer (but not including payments made by a non-Employer, such as state disability payments), before reduction due to any contribution pursuant to this Plan or reduction pursuant to any deferral plan of an Employer, including but not limited to a plan that includes a qualified cash or deferral arrangement under Section 401(k) of the Internal Revenue Code, as amended ("Code"):

(a) annual base salary;

(b) commissions;

(c) Team Award (the annual award determined to be the "Team Award" by AT&T together with the individual award determined by AT&T to be the Individual Discretionary Award made in connection therewith) or comparable awards, if any, determined by AT&T to be used in lieu of these awards. Unless otherwise provided by AT&T, Team Award shall include, among other things, bonus awards under the Ameritech Management Incentive Plan or the Ameritech Senior Management Short Term Incentive Plan.

Payments by an Employer under a Disability plan made in lieu of any compensation described in (a), (b) or (c), above, shall be deemed to be a part of the respective form of compensation it replaces for purposes of this definition. Base Compensation does not include zone allowances or any other geographical differential and shall not include payments made in lieu of unused vacation or other paid days off, and such payments shall not be contributed to this Plan.

**Business Day.** Any day during regular business hours that AT&T is open for business.

**Chairman.** The Chairman of the Board of Directors of AT&T Inc.

**Committee.** The Human Resources Committee of the Board of Directors of AT&T Inc.

**Disability.** Absence of an Employee from work with an Employer under the relevant Employer's disability plan.

**Eligible Employee.** An Employee who:
(a) is a full time, salaried Employee of AT&T or an Employer in which AT&T has a direct or indirect 100% ownership interest and who is on active duty, Disability (but only while such Employee is deemed by the Employer to be an Employee of such Employer) or Leave of Absence; and

(b) is, as determined by AT&T, a member of Employer's "select group of management or highly compensated employees" within the meaning of the Employment Retirement Income Security Act of 1974, as amended, and regulations thereunder ("ERISA").

(c) is an officer level employee for compensation purposes as shown on the records of AT&T or has an employment status which has been approved by AT&T to be eligible to participate in this Plan.

Notwithstanding the foregoing, AT&T may, from time to time, exclude any Employee or group of Employees from being deemed an "Eligible Employee" under this Plan.

In the event a court or other governmental authority determines that an individual was improperly excluded from the class of persons who would be considered Eligible Employees during a particular time for any reason, that individual shall not be an Eligible Employee for purposes of the Plan for the period of time prior to such determination.

Any Employee that holds options to acquire shares of AirTouch Communications, Inc. or ordinary shares or American Depository Shares of Vodafone AirTouch plc (or any similar rights), under the Pacific Telesis Group Stock Option and Stock Appreciation Rights Plan or any other stock option plan of an Employer is not an Eligible Employee and may not participate in this Plan.

**Employee.** Any person employed by an Employer, excluding persons hired for a fixed maximum term and excluding persons who are neither citizens nor permanent residents of the United States, all as determined by AT&T. For purposes of this Plan, a person on Leave of Absence who otherwise would be an Employee shall be deemed to be an Employee.

**Employer.** AT&T Inc. or any of its Subsidiaries.

**Exercise Price.** The price per share of Stock purchasable under an Option.

**Fair Market Value or FMV.** In valuing Stock or any other item subject to valuation under this Plan, the Committee may use such index or measurement as the Committee may reasonably determine from time to time, and such index or measurement shall be the FMV of such Stock or other item. In the absence of such action by the Committee, FMV means, with respect to Stock, the closing price on the New York Stock Exchange ("NYSE") of the Stock on the relevant date, or if on such date the Stock is not traded on the NYSE, then the closing price on the immediately preceding date such Stock is so traded.

**Leave of Absence.** Where a person is absent from employment with an Employer on a formally granted leave of absence (i.e., the absence is with formal permission in order to prevent a break in the continuity of term of employment, which permission is granted (and not revoked) in conformity with the rules of the Employer which employs the individual, as adopted from time to time). For purposes of this Plan, a Leave of Absence shall be deemed to also include a transfer by an Employer of a person to, and continuous employment by, an entity for a rotational work assignment. In the event a transfer to such an entity lasts more than 5 years or the rotational work assignment status is canceled by AT&T, it shall be deemed a Termination of Employment with the Employer at that time for purposes of this Plan. To be a rotational work assignment, the Employer must have indicated in writing to the person that the person was to be rehired by the Employer on termination of the rotational work assignment.

**Options or Stock Options.** Options to purchase Stock issued pursuant to this Plan.

**Participant.** An Eligible Employee or former Eligible Employee who participates in this Plan.

**Pre-Tax Account.** The account maintained on a pre-tax basis on the books of account of AT&T for each Participant.

**Retirement or Retire.** The Termination of Employment for any reason other than death or Disability on or after the earlier of the following dates, or as otherwise provided by the Committee: (1) for Officer Level Employees (Participants deemed officer level Employees for compensation purposes as indicated on the records of AT&T), the date the Participant attains age 55 - individuals who become Officer Level Employees on or after January 1, 2002, must also have five (5) years of service; or (2) the date the Participant has attained one of the following combinations of age and Net Credited Service (as that term is used from time to time for the AT&T Pension Benefit Plan), except Plans as otherwise indicated below:

| Net Credited Service | Age |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

With respect to an Employee who is granted an EMP Service Pension under and pursuant to the provisions of the AT&T Pension Benefit Plan - Nonbargained Program upon Termination of Employment, the term “Retirement” shall include such Employee's Termination of Employment.

**Shares or Share Units.** An accounting entry representing the right to receive an equivalent number of shares of Stock.

**Short Term Incentive Award.** An award paid by an Employer (and not by a non-Employer, such as state disability payments) under the Short Term Incentive Plan; an award under a similar plan intended by the Committee to be in lieu of an award under such Short Term Incentive Plan; the Key Executive Officer Short Term Award paid under the 1996 Stock and Incentive Plan or the 2001 Incentive Plan; or any other award that the Committee designates as a Short Term Incentive Award specifically for purposes of this Plan (regardless of the purpose of the award).

**Stock.** The common stock of AT&T Inc.

**Subsidiary.** Any corporation, partnership, venture or other entity in which AT&T holds, directly or indirectly, a 50% or greater ownership interest. The Committee may, at its sole discretion, designate any other corporation, partnership, venture or other entity a Subsidiary for the purpose of participating in this Plan.

**Termination of Employment.** References herein to “Termination of Employment, “Terminate Employment” or a similar reference, shall mean the event where the Employee ceases to be an Employee of any Employer, including but not limited to where the employing company ceases to be an Employer.

**Article 3 - Administration of the Plan**

**3.1 The Committee** .

The Committee shall be the administrator of the Plan and will administer the Plan, interpret, construe and apply its provisions and determine entitlement to benefits, all in its discretion. The Committee may further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. References to determinations or other actions by AT&T, herein, shall mean actions authorized by the Committee, the Chairman, the Senior Executive Vice President of AT&T in charge of Human Resources, or their respective successors or duly authorized delegates, in each case in the discretion of such person. All decisions by AT&T shall be final and binding.

**3.2 Authorized Shares of Stock.**

(a) Except as provided below, the number of shares of Stock which may be distributed pursuant to the Plan, exclusive of Article 8, is 21,000,000. The number of Stock Options and shares of Stock which may be issued pursuant to Article 8 of the Plan is 34,000,000 each. Of the foregoing Stock Options, the number of incentive Stock Options which may be issued pursuant to the Plan is 34,000,000. Conversions of stock awards into Share Units pursuant to Section 4.4 and their eventual distribution shall count only against the limits of the plans from which they are transferred or contributed and shall not be applied against the limits in this Plan. To the extent Share Units are acquired through deferrals of Stock or contributions of cash where the payment of which would otherwise be deductible by AT&T under Section 162(m) of the Code regardless of the size of the distribution, and such Share Units are available for distribution, they shall be distributed first. In the event AT&T determines that continuing the purchase of Share Units under the Plan may cause the number of shares of Stock that are to be distributed under this Plan (which may take into account, among other things, the number of Share Units acquired and the number of Stock Options issued or required to be issued, reduced by the number of shares of Stock that would be withheld for income tax purposes) to exceed the number of authorized shares of Stock, then AT&T may cancel further purchases of Share Units and require that any further dividend equivalents on Share Units be paid in cash to the Participants.

(b) In the event of a merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, stock split, share combination, or other change in the corporate structure of AT&T affecting the shares of Stock, such adjustment shall be made to the number and class of the shares of Stock which may be delivered under the Plan (including but not limited to individual limits), and in the number and class of and/or price of shares of Stock subject to outstanding Options granted under the Plan, and/or in the number of outstanding Options and Share Units, in each case as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights.

**3.3 Claims Procedure.**

Subject to the authority of the Committee over the Plan, AT&T shall appoint a Claims Board to adjudicate claims brought by or in respect to Participants and their beneficiaries relating to benefits under the Plan. A Participant may apply in writing to the Claims Board to make a claim under this Plan. The Claims Board shall provide written notice within 90 days to a Participant whose claim hereunder has been denied, setting forth reasons for such denial or explaining that an extension of the time for processing the claim is necessary, written in a manner calculated to be understood by such person. After receipt of such notice, or expiration of 90 days without any response from the Claims Board, the Participant may appeal the decision in writing to the Senior Executive Vice President of AT&T in charge of Human Resources, or to the person’s successor, within 90 days, except that if the Participant is an Insider, as that term is used in the 2001 Incentive Plan, then the Participant's appeal shall be to the Committee. The Participant shall receive a full and fair review of the decision denying the claim in accordance with the requirements of ERISA.

**Article 4 - Contributions**

Notwithstanding anything in this Plan to the contrary, there shall be no Employee Contributions or deferral of other Stock awards to the Plan after December 31, 2004.

**4.1 Election to Make Contributions.**

(a) An Eligible Employee may elect to purchase Share Units through payroll deductions contributed to the Plan as follows (such contributions to the Plan are “Employee Contributions”):

(i) An Eligible Employee may elect to contribute from 6% to 30% (in whole percentage increments) of his or her monthly Base Compensation, as the same may change from time to time.

(ii) An Eligible Employee may elect to contribute up to 100% (in whole percentage increments) of a Short Term Incentive Award.

(b) An Eligible Employee may only make an election, change an election, or terminate an election to purchase Share Units with Employee Contributions as follows:

(i) An Employee who is an Eligible Employee as of September 30 may make an election on or prior to the last Business Day of the immediately following November with respect to the contribution of Base Compensation and/or Short Term Incentive Awards paid on or after the immediately following January 1.

(ii) An Employee who was not an Eligible Employee as of September 30 but who is an Eligible Employee the immediately following March 31 may make an election on or prior to the last Business Day of the immediately following May with respect to the contribution of Base Compensation and/or Short Term

Incentive Awards paid on or after the immediately following July 1.

AT&T may refuse or terminate any election to purchase Share Units in the Plan at any time; provided, however, only the Committee may take such action with respect to persons who are “officer level” Employees as shown on the records of AT&T.

In the event the Participant takes a hardship withdrawal from a benefit plan qualified under the Code and sponsored by AT&T or an Employer, any election to make Employee Contributions by such Participant shall be immediately cancelled, and the Participant shall not be permitted to make a new election with respect to Employee Contributions that would be contributed during the then current and immediately following calendar year.

**4.2 Purchase of Share Units.**

(a) Employee Contributions (as well as any corresponding AT&T Matching Contribution) shall be made solely pursuant to a proper election and only during the Employee's lifetime and while the Employee remains an Eligible Employee (if the Employee ceases to be an Eligible Employee, his or her election to make Employee Contributions shall be cancelled); provided, however, Termination of Employment of an Eligible Employee shall not constitute loss of eligibility solely with respect to contribution of annual base salary earned prior to termination but paid within 60 days thereafter or with respect to a Short Term Incentive Award paid after Retirement (and such person shall be deemed an Eligible Employee for such contributions).

(b) The number of Share Units purchased by a Participant during a calendar month shall be found by dividing the Participant's Employee Contributions during the month by the FMV on the last day of such month.

(c) A contribution to the Plan shall be made when the compensation – from which the contribution is to be deducted – is paid using the "check date" shown on the related pay record (sometimes referred to as the "paycheck stub") as the contribution date (if no "check date" is shown,

then the date of the pay record). When there is an underpayment or delayed payment of gross compensation for any reason, the related contribution shall be determined and made when the underpayment or delayed payment is paid, again using the date on the pay record. Where there is an overpayment of gross compensation, the amount of the overpayment will not be considered in determining the contribution amount.

**4.3 Reinvestment of Dividends.**

In the month containing a record date for a regular cash dividend on AT&T Stock, each Participant shall be credited with that number of Share Units equal to the declared dividend per share of Stock multiplied by the number of Share Units held by the Participant and divided by the FMV on the last day of the month containing the dividend record date.

**4.4 Deferral of Other Stock Awards.**

(a) An Eligible Employee who would receive from AT&T a distribution of Stock (including but not limited to the removal of restrictions on restricted stock) pursuant to the 1996 Stock and Incentive Plan or the 2001 Incentive Plan (but not through the exercise of stock options granted under either such plan) or pursuant to any other plan or award specifically permitted to be contributed to this Plan by the Committee, may contribute all or part of such distribution that would not be recognized as income for Federal income tax purposes ~~,~~ upon conversion to Share Units under this Plan. To make this contribution, the Eligible Employee must make an election on or prior to the last Business Day of the calendar year prior to the calendar year such Stock would otherwise actually been paid (or, for restricted stock, the calendar year such restrictions would be removed and the stock recognized for Federal income tax purposes) to convert the part of the distribution that is not recognized as income for Federal income tax purposes into the number of Share Units under this Plan equal to the number of shares of Stock to which the Eligible Employee would be entitled; provided such person remains an Eligible Employee at the time of such conversion. Distribution of such Share Units shall be governed solely by the provisions of this Plan. AT&T may refuse or terminate any election under this Section 4.4 to convert a distribution into Share Units in the Plan at any time.

(b) Effective January 1, 2001, except for persons who die prior to 2001, deferrals of Stock made prior thereto under the Salary and Incentive Award Deferral Plan will be converted into the number of Share Units equal to the number of shares of Stock or the equivalent thereof then held by the Participant through such Salary and Incentive Award Deferral Plan. Any such conversion shall not reduce or offset the number of authorized shares of Stock under this Plan. All elections made under such plan shall be terminated and the distribution of such Share Units shall be governed solely by the provisions of this Plan.

(c) The Committee may permit an Eligible Employee to purchase Share Units under this Plan with amounts other than Base Compensation or Short Term Incentive Awards on such terms and conditions as such Committee may permit from time to time.

(d) In no event shall an acquisition of Share Units pursuant to this Section 4.4 result in the crediting of an AT&T Matching Contribution or Options.

**Article 5 - AT&T Matching Contributions**

**5.1 AT&T Match.**

(a) AT&T shall credit each Participant's account with the number of Share Units found by taking eighty percent (80%) of the Participant's Employee Contributions from no more than six percent (6%) of the Participant's Base Compensation made during the month and dividing the resulting figure by the FMV of the Stock on the last day of such month ("AT&T Matching Contribution"). However, if during any month the Participant is concurrently participating in this Plan and (a) the match eligible portion of the AT&T Savings Plan (which may be referred to as “basic contributions”) or (b) the match eligible portion of any other tax qualified or nonqualified plan of an Employer, then the monthly AT&T Matching Contribution under this Plan shall be reduced so that the total monthly matching contribution shall be paid with respect to no more than:

(A) six percent (6%) minus
(B) the Participant's match eligible percentage determined under such other plan,

of the Participant's monthly Base Compensation. In no event shall matching contributions under this Plan and all other plans of AT&T and all Employers combined (including but not limited to the AT&T Savings Plan) be paid with respect to more than six percent (6%) of Participant's monthly Base Compensation. AT&T Matching Contributions shall only be paid on Base Compensation contributed to the Plan. The Committee, in its discretion, may reduce or eliminate the AT&T Matching Contributions with respect to those Employee Contributions that have not then been made for which a Participant then has or will have an opportunity to change his or her Share Unit purchase election.

(b) In the sole discretion of the Committee, it may also provide for the contribution of a Bonus Matching Contribution. Such Bonus Matching Contribution may not exceed 20% of the Participant’s Employee Contributions for the month. The Bonus Matching Contribution shall be subject to such terms and conditions as required by the Committee and, unless otherwise provided by the Committee, to the same vesting and distribution requirements as AT&T Matching Contributions.

**5.2 Vesting and Distribution of Share Units Acquired with Matching Contributions** .

A Participant's interest in Share Units purchased with AT&T Matching Contributions, as well as earnings thereon, shall vest when a Participant shall have three (3) years of continuous service (regardless of any subsequent break in service) as reflected on the records of AT&T. Share Units shall be available for distribution in accordance with the Plan's distribution provisions only upon becoming vested and only after the earlier of: (a) the Termination of Employment of the Participant, or (b) the beginning of the calendar year in which the Participant will reach age 55. Upon the Participant's Termination of Employment, all the Participant's unvested Share Units shall be forfeited and shall not be reinstated if Participant is re-Employed.

**Article 6 - Distributions**

**6.1 Distributions of Share Units.**

(a) Beginning March 10 (or such other date as determined by AT&T) of the first (1st) calendar year following the calendar year of the Retirement of a Participant and on March 10 (or such other date as determined by AT&T) of each of the successive 14 calendar years, AT&T shall distribute that number of Share Units that is equal to the total number of Share Units then held by the Participant divided by the number of remaining installments. Not withstanding the foregoing, if the Participant Retires prior to 2001, then any undistributed Share Units will be distributed in a lump sum on March 10 of the fifteenth (15th) calendar following the calendar year of the Retirement of the Participant.

(b) Beginning March 10 (or such other date as determined by AT&T) of the calendar year following the calendar year of Termination of Employment which is not a Retirement and on March 10 (or such other date as determined by AT&T) of each of the successive 2 calendar years, AT&T shall distribute that number of Share Units that is equal to the total number of Share Units then held by the Participant divided by the number of remaining installments. Notwithstanding the foregoing, non-Retirement eligible Participants who Terminate Employment prior to January 1, 2001, shall receive all undistributed Share Units in a lump sum.

(c) Notwithstanding (a) or (b), above, to the contrary, in the event of the death of a Participant, all undistributed Share Units shall be promptly distributed to the Participant's beneficiary in accordance with the AT&T Rules for Employee Beneficiary Designations, as the same may be amended from time to time.

(d) In the event a Participant Terminates Employment and is subsequently re-Employed, then beginning with the calendar year following such re-Employment, the Participant's undistributed Share Units shall no longer be subject to distribution under this Section 6.1 as a result of the prior Termination of Employment. For purposes of distribution of Share Units only, a subsequent Termination of Employment shall be deemed a Retirement if the Participant has previously Retired.

**6.2 Accelerated Distribution.**

(a) On or before the last Business Day of a calendar year, a Participant may elect to receive a distribution of all or a specified number of the Participant's vested Share Units. Such distribution shall be made March 10 (or such other date as determined by AT&T) of the immediately following calendar year. If the Participant will not be age 55 or older at any time during the calendar year of the distribution, then Share Units that were acquired with AT&T Matching Contributions, as well as earnings thereon, may be distributed pursuant to an Accelerated Distribution election only if the Participant Terminated Employment prior to the calendar year of the distribution. This distribution shall be in addition to the number of Share Units to be distributed at the same time under Section 6.1, to the extent any remain available for distribution, which Distribution shall be calculated without regard to an election under this section. No distribution under this Section 6.2 (a) shall be made of Share Units acquired with Employee Contributions or AT&T Matching Contributions in the same calendar year as the distribution.

(b) In the event the Participant Terminates Employment for reasons other than Retirement, AT&T may, at its sole discretion, accelerate the distribution of all or part of the Share Units credited to the Participant to the date of AT&T's choosing, without notice to, or the consent of, the Participant.

**6.3 Small Distribution.**

Notwithstanding any election made by the Participant, after the Termination of Employment of the Participant for any reason, if at the time of a distribution the Participant's Share Units have a FMV of less than $10,000, AT&T may, in its discretion, convert and distribute all of the Participant's Share Units in the form of a lump sum distribution.

**6.4 Determination by Internal Revenue Service.**

In the event that a final determination shall be made by the Internal Revenue Service or any court of competent jurisdiction that a Participant has recognized gross income for Federal income tax purposes in excess of the Share Units actually distributed by AT&T, AT&T shall promptly convert and distribute to the Participant those Share Units to which such additional gross income is attributable.

**6.5 Emergency Distribution** .

In the event that AT&T, upon written petition of the Participant, determines in its sole discretion that the Participant has suffered an unforeseeable financial emergency, AT&T shall convert and distribute to the Participant, as soon as practicable following such determination, the number of Share Units determined by AT&T in its sole discretion to meet the emergency (the "Emergency Distribution"), other than Share Units acquired with AT&T Matching Contributions, as well as earnings thereon. For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. Upon such distribution, any election to make Employee Contributions by such Participant shall be immediately cancelled, and the Participant shall not be permitted to make a new election with respect to Employee Contributions that would be contributed during the then current and immediately following calendar year.

**6.6 Ineligible Participant.**

Notwithstanding any other provisions of this Plan to the contrary, if AT&T receives an opinion from counsel selected by AT&T, or a final determination is made by a Federal, state or local government or agency, acting within its scope of authority, to the effect that an individual is not, or was not at the time of his or her making Employee Contributions to this Plan, a member of Employer's "select group of management or highly compensated employees" within the meaning of ERISA, then such person will not be eligible to participate in this Plan and shall receive an immediate lump sum distribution of shares of Stock corresponding to the vested portion of the Share Units standing credited to his or her account. Upon such payment no other distribution shall thereafter be payable under this Plan either to the individual or any beneficiary of the individual, except as provided under Section 10.1 Additional Benefit.

**6.7 Distribution Process.**

Share Units shall be distributed under this Plan by taking the number of Share Units to be distributed and converting them into an equal number of shares of Stock. (Once distributed, a Share Unit shall be canceled.)

**Article 7 - Transition Provisions**

The transition rules of this Article 7 shall supercede all other terms of this Plan.

**7.1 Effective Dates.**

Except as otherwise provided in this Article, the amendments to this Plan made March 31, 2000 (the "2000 Amendments") shall be effective March 31, 2000. No election to begin a Savings Unit nor an election regarding the distribution or further deferral of a distribution of a Savings Unit may be made on or after March 31, 2000. (As used herein, "Savings Units" shall have the same meaning as used in this Plan prior to such amendments.)

**7.2 Combination of Share Units.**

(a) Effective January 1, 2001, all Share Units (previously referred to as "Shares") acquired under Savings Units by a Participant shall be combined in a single account regardless of date acquired or the Savings Unit to which they were related, except for the Share Units to be distributed under (b), below.

(b) Share Units equal in value to, and constituting, a Participant's tax basis in the Share Units acquired on an after-tax basis shall be valued and distributed on or promptly after March 10, 2001, unless a later distribution is required by AT&T.

(c) To the extent any Participant who retires before 2001 would, were it not for the 2000 Amendments, under valid elections made prior to March 31, 2000, receive a distribution under a Savings Unit(s) that would extend the Participant's distributions beyond 2015, then the Savings Unit(s) so affected shall not be combined with other Share Units and shall be distributed in accordance with such elections. Notwithstanding the foregoing, the Participant may, with the consent of AT&T, elect to have all undistributed Shares in such Savings Unit(s) be governed by this Plan as in effect after March 31, 2000.

(d) In the event a Participant dies prior to 2001, the Participant's Savings Unit(s) shall not be combined with other Savings Units and shall be distributed in accordance with the Plan as it existed immediately prior to March 31, 2000, and deferrals under the Salary and Incentive Award Deferral Plan by such Participant will not be transferred to this Plan but will be paid out in accordance with the terms of that plan as it existed immediately prior to March 31, 2000.

**7.3 Termination of Elections.**

(a) Distributions from the Plan that would be made in the year 2000 under the Plan as it existed immediately prior to March 31, 2000, based on elections made before March 31, 2000, shall continue to be made in the year 2000 as provided in the Plan immediately prior to March 31, 2000. All other distribution elections are cancelled, including but not limited to distributions which have already commenced, but only to the extent such elections call for distributions after the year 2000. All Share Units remaining undistributed after such distributions shall be held and distributed in accordance with the terms of the Plan as in effect after March 31, 2000.

(b) Contributions to the Plan that would be made in the year 2000 under the Plan as it existed immediately prior to March 31, 2000, based on elections made before March 31, 2000, shall continue to be made in the year 2000 as provided in the Plan immediately prior to March 31, 2000. Elections to participate in the Plan shall not automatically be renewed for the year 2001. Each Eligible Employee must make a new election after March 31, 2000, in order to purchase Share Units with Employee Contributions after 2000. Provided, however, valid elections made prior to March 31, 2000, to contribute Short Term Incentive Awards in 2001 shall be valid elections under this Plan.

**7.4 Annual Base Salary Contribution Transition.**

Annual base salary earned prior to January 1, 2001, shall be contributed when earned, while annual base salary earned on or after such date shall be contributed when paid. In order to avoid any double contribution of annual base salary, that part of annual base salary earned in the year 2000 shall not be included in any determination of contributions to the Plan in a later calendar year, even though paid in such calendar year. This section shall not apply to employees of Ameritech Corporation or its direct or indirectly held subsidiaries or to Employees who did not make contributions to the Plan in 2000.

**7.5 Stock Options.**

The August 2000 and February 2001 issuances of Options shall be determined and made as the Plan was written immediately prior to March 31, 2000, so as not to enlarge or reduce the rights of Participants with Savings Units commencing in 2000.

**Article 8 - Options**

**8.1 Grants.**

The Committee shall determine at its discretion whether the Options issued pursuant to this Plan shall be non-qualified Stock Options or incentive Stock Options within the meaning of Section 422 of the Code. Any Options issued hereunder shall be non-qualified Options unless the Committee specifies prior to the issuance thereof that they shall be incentive Stock Options. Notwithstanding any other provision of the Plan, any incentive Stock Options issued under this Plan shall be issued and exercised in accordance with Section 422 of the Code. The Options may be issued in definitive form or recorded on the books and records of AT&T for the account of the Participant, at the discretion of AT&T. If AT&T elects not to issue the Options in definitive form, they shall be deemed issued, and the Participants shall have all rights incident thereto as if they were issued on the dates provided herein, without further action on the part of AT&T or the Participant. In addition to the terms herein, all Options shall be subject to such additional provisions and limitations as provided in any Administrative Procedures adopted by the Committee prior to the issuance of such Options. The number of Options issued to a Participant shall be reflected on the Participant's annual statement of account.

**8.2 Term of Options.**

The Options may only be exercised: (a) after the earlier of (i) the expiration of one (1) year from date of issue or (ii) the Participant's Termination of Employment, and (b) no later than the tenth (10 th ) anniversary of their issue; and Options shall be subject to earlier termination as provided herein.

**8.3 Exercise Price.**

The Exercise Price of an Option shall be the FMV of the Stock on the date of issuance of the Options.

**8.4 Issuance of Options** .

(a) On each June 1 a Participant shall receive two (2) Options for each Share Unit acquired by the Participant during the immediately preceding January through April period with Employee Contributions of Base Compensation and/or Short Term Incentive Award. A fractional number of Options shall be rounded up to the next whole number.

(b) On each February 1 a Participant shall receive:

(i) two (2) Options for each Share Unit acquired by the Participant during the immediately preceding May through December with Employee Contributions of Base Compensation and/or Short Term Incentive Award; and

(ii) two (2) Options for each Share Unit acquired prior to such date by the Participant with dividend equivalents that were derived, directly or indirectly (such as dividend equivalents paid on Share Units acquired with dividend equivalents), from Share Units acquired with Employee Contributions during the immediately preceding January through December.

A fractional number of Options shall be rounded up to the next whole number.

(c) If Stock is not traded on the NYSE on any of the foregoing Option issuance dates, then the Options shall not be issued until the next such day on which Stock is so traded.

(d) If a Participant Terminates Employment other than (i) while Retirement eligible or (ii) because of death or Disability, no further Options shall be issued to or with respect to such Participant. In the event of re-Employment following a Termination of Employment, the preceding sentence shall not apply to those Options resulting from participation in the Plan after such re-Employment until a subsequent Termination of Employment.

(e) No more than 400,000 Options shall be issued to any individual under this Plan during a calendar year. No Share Unit may be counted more than once for the issuance of Options.

(f) The Committee may, in its sole discretion, at any time increase or lower the number of Options that are to be issued for each Share Unit acquired. However, if the Committee lowers the number of Options, then such change shall only be effective with respect to the next period in which a Participant may change his or her Share Unit purchase election.

(g) The Committee may also, at any time and in any manner, limit the number of Options which may be acquired as a result of the Short Term Incentive Award being contributed to the Plan. Further, except as otherwise provided by the Committee, in determining the number of Options to be issued to a Participant with respect to a Participant's contribution of a Short Term Incentive Award to the Plan and subsequent crediting of Share Units, Options may be issued only with respect to an amount which does not exceed the target amount of such award (or such other portion of the award as may be determined by the Committee).

(h) No options shall be issued to or in respect of a Participant for a particular issuance, unless at least 10 Options will be issued to that Participant.

**8.5 Exercise and Payment of Options** .

Options shall be exercised by providing notice to the designated agent selected by AT&T (if no such agent has been designated, then to AT&T), in the manner and form determined by AT&T, which notice shall be irrevocable, setting forth the exact number of shares of Stock with respect to which the Option is being exercised and including with such notice payment of the Exercise Price. When Options have been transferred, AT&T or its designated agent may require appropriate documentation that the person or persons exercising the Option, if other than the Participant, has the right to exercise the Option. No Option may be exercised with respect to a fraction of a share of Stock.

Exercises of Options may be effected only on days and during the hours that the New York Stock Exchange is open for regular trading or as otherwise provided or limited by AT&T. If an Option expires on a day or at a time when exercises are not permitted, then the Options may be exercised no later than the immediately preceding date and time that the Options were exercisable.

The Exercise Price shall be paid in full at the time of exercise. No Stock shall be issued or transferred until full payment has been received therefor.

Payment may be made:

(a) in cash, or

(b) unless otherwise provided by the Committee at any time, and subject to such additional terms and conditions and/or modifications as AT&T may impose from time to time, and further subject to suspension or termination of this provision by AT&T at any time, by:

(i) delivery of Stock owned by the Participant in partial (if in partial payment, then together with cash) or full payment; provided, however, as a condition to paying any part of the Exercise Price in Stock, at the time of exercise of the Option, the Participant must establish to the satisfaction of AT&T that the Stock tendered to AT&T must have been held by the Participant for a minimum of six (6) months preceding the tender; or

(ii) if AT&T has designated a stockbroker to act as AT&T's agent to process Option exercises, issuance of an exercise notice to such stockbroker together with instructions irrevocably instructing the stockbroker: (A) to immediately sell (which shall include an exercise notice that becomes effective upon execution of a sell order) a sufficient portion of the Stock to pay the Exercise Price of the Options being exercised and the required tax withholding, and (B) to deliver on the settlement date the portion of the proceeds of the sale equal to the Exercise Price and tax withholding to AT&T. In the event the stockbroker sells any Stock on behalf of a Participant, the stockbroker shall be acting solely as the agent of the Participant, and AT&T disclaims any responsibility for the actions of the stockbroker in making any such sales. No Stock shall be issued until the settlement date and until the proceeds (equal to the Exercise Price and tax withholding) are paid to AT&T.

If payment is made by the delivery of Stock, the value of the Stock delivered shall be equal to the FMV of the Stock on the day preceding the date of exercise of the Option.

Restricted Stock may not be used to pay the Option exercise price.

**8.6 Restrictions on Exercise and Transfer.**

No Option shall be transferable except: (a) upon the death of a Participant in accordance with AT&T's Rules for Employee Beneficiary Designations, as the same may be amended from time to time; and (b) in the case of any holder after the Participant's death, only by will or by the laws of descent and distribution. During the Participant's lifetime, the Participant's Options shall be exercisable only by the Participant or by the Participant's guardian or legal representative. After the death of the Participant, an Option shall only be exercised by the holder thereof (including but not limited to an executor or administrator of a decedent's estate) or his or her guardian or legal representative.

**8.7 Termination of Employment** .

(a) *Not Retirement Eligible.* If a Participant Terminates Employment while not Retirement eligible, a Participant's Options may be exercised, to the extent then exercisable:

(i) if such Termination of Employment is by reason of death or Disability, then for a period of three (3) years from the date of such Termination of Employment or until the expiration of the stated term of such Option, whichever period is shorter; or

(ii) if such Termination of Employment is for any other reason, then for a period of one (1) year (three (3) months for Options granted before August 1, 1998) from the date of such Termination of Employment or until the expiration of the stated term of such Option, whichever period is shorter.

(b) *Retirement Eligible.* If a Participant Terminates Employment while Retirement eligible, a Participant's Option may be exercised, to the extent then exercisable: (i) for a period of five (5) years (three (3) years for options granted before August 1, 1998) from the date of Retirement or (ii) until the expiration of the stated term of such Option, whichever period is shorter. If a Participant Terminated Employment because of death or Disability on or before March 31, 2000, the Participant will be deemed to have Terminated Employment while not Retirement eligible for purposes of this section.

(c) Re-Employment of a Participant after a Termination of Employment shall have no effect on the periods during which Options resulting from the prior Employment may be exercised. For example, if the Option exercise period has been shortened because of the prior Termination of Employment, it shall not be extended because of the re-Employment.

**Article 9 - Discontinuation, Termination, Amendment** .

**9.1 AT&T's Right to Discontinue Offering Share Units.**

AT&T may at any time discontinue offerings of Share Units under the Plan. Any such discontinuance shall have no effect upon existing Share Units or the terms or provisions of this Plan as applicable to such Share Units.

**9.2 AT&T's Right to Terminate Plan.**

The Committee may terminate the Plan at any time. Upon termination of the Plan, contributions shall no longer be made under the Plan.

After termination of the Plan, Participants shall continue to earn dividend equivalents in the form of Share Units on undistributed Share Units and shall continue to receive all distributions under this Plan at such time as provided in and pursuant to the terms and conditions of Participant's elections and this Plan.

**9.3 Amendment** .

The Committee may at any time amend the Plan in whole or in part including but not limited to changing the formulas for determining the amount of AT&T Matching Contributions under Article 5 or increasing or decreasing the number of Options to be issued under Article 8; provided, however, that no amendment, including but not limited to an amendment to this section, shall be effective, without the consent of a Participant, to alter, to the material detriment of such Participant, the distributions described in this Plan as applicable to Share Units of the Participant or to decrease the number of Share Units standing credited to such Participant's Accounts under the Plan. For purposes of this section, an alteration to the material detriment of a Participant shall mean a material reduction in the period of time over which Stock may be distributed to a Participant, any reduction in the Participant's number of vested Share Units or Options, or an increase in the Exercise Price or decrease in the term of an Option. Any such consent may be in a writing, telecopy, or e-mail or in another electronic format. An election to acquire, or to modify an election to acquire, Share Units with Employee Contributions and the failure to terminate an election to acquire Share Units with Employee Contributions when able to do so shall each be conclusively deemed to be the consent of the Participant to any and all amendments to the Plan prior to such election or failure to terminate an election, and such consent shall be a condition to making any election with respect to Employee Contributions.

Notwithstanding anything to the contrary contained in this section of the Plan, the Committee may modify this Plan with respect to any person subject to the provisions of Section 16 of the Securities Exchange Act of 1934 as amended (“Exchange Act”) to place additional restrictions on the exercise of any Option or the transfer of any Stock not yet issued under the Plan.

**Article 10 - Miscellaneous**

**10.1 Additional Benefit.**

The reduction of any benefit payable under the AT&T Pension Benefit Plan (or comparable plan identified by AT&T as a replacement therefor), which results from participation in this Plan, will be restored as an additional benefit (“make-up piece”) under this Plan. The Participant shall elect prior to commencement of payment of the make-up piece whether to receive such benefit in cash in a lump sum (consisting of the present value equivalent of the pension retirement benefit (life annuity) make-up piece) or such benefit in an annuity form of payment . Notwithstanding the proceeding provisions of this section, if all or a portion of the make-up piece is paid pursuant to SRIP or another non-qualified plan, then such amount shall not be payable pursuant to this Plan.

**10.2 Tax Withholding** .

Upon distribution of Stock, including but not limited to, shares of Stock issued upon the exercise of an Option, AT&T shall withhold shares of Stock sufficient in value, using the FMV on the date determined by AT&T to be used to value the Stock for tax purposes, to satisfy the minimum amount of Federal, state, and local taxes required by law to be withheld as a result of such distribution.

Any fractional share of Stock payable to a Participant shall be withheld as additional Federal withholding, or, at the option of AT&T, paid in cash to the Participant.

Unless otherwise determined by the Committee, when the method of payment for the Exercise Price is from the sale by a stockbroker pursuant to Section 8.5(b)(ii), hereof, of the Stock acquired through the Option exercise, then the tax withholding shall be satisfied out of the proceeds. For administrative purposes in determining the amount of taxes due, the sale price of such Stock shall be deemed to be the FMV of the Stock.

**10.3 Elections and Notices.**

Notwithstanding anything to the contrary contained in this Plan, all elections and notices of every kind shall be made on forms prepared by AT&T or the General Counsel, Secretary or Assistant Secretary, or their respective delegates or shall be made in such other manner as permitted or required by AT&T or the General Counsel, Secretary or Assistant Secretary, or their respective delegates, including through electronic means, over the Internet or otherwise. An election shall be deemed made when received by AT&T (or its designated agent, but only in cases where the designated agent has been appointed for the purpose of receiving such election), which may waive any defects in form. Unless made irrevocable by the electing person, each election with regard to making Employee Contributions or distributions of Share Units shall become irrevocable at the close of business on the last day to make such election. AT&T may limit the time an election may be made in advance of any deadline.

If not otherwise specified by this Plan or AT&T, any notice or filing required or permitted to be given to AT&T under the Plan shall be delivered to the principal office of AT&T, directed to the attention of the Senior Executive Vice President-Human Resources of AT&T or his or her successor. Such notice shall be deemed given on the date of delivery.

Notice to the Participant shall be deemed given when mailed (or sent by telecopy) to the Participant's work or home address as shown on the records of AT&T or, at the option of AT&T, to the Participant's e-mail address as shown on the records of AT&T. It is the Participant's responsibility to ensure that the Participant's addresses are kept up to date on the records of AT&T. In the case of notices affecting multiple Participants, the notices may be given by general distribution at the Participants' work locations.

By participating in the Plan, each Participant agrees that AT&T may provide any documents required or permitted under the Federal or state securities laws, including but not limited to the Securities Act of 1933 and the Securities Exchange Act of 1934 by e-mail, by e-mail attachment, or by notice by e-mail of electronic delivery through AT&T's Internet Web site or by other electronic means.

**10.4 Unsecured General Creditor** .

Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any property or assets of any Employer. No assets of any Employer shall be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of any Employer under this Plan. Any and all of each Employer's assets shall be, and remain, the general, unpledged, unrestricted assets of such Employer. The only obligation of an Employer under the Plan shall be merely that of an unfunded and unsecured promise of AT&T to distribute shares of Stock corresponding to Share Units, and Options, under the Plan.

**10.5 Offset** .

AT&T may offset against the amount of Stock otherwise distributable to a Participant, any amounts due an Employer by a Participant, including but not limited to overpayments under any compensation or benefit plans. In addition, AT&T may also cancel a Stock Option to satisfy such an obligation to an Employer. For this purpose, each Stock Option shall be valued by subtracting the Exercise Price of the Stock Option from the FMV of the Stock on such date.

**10.6 Non-Assignability** .

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt, shares of Stock corresponding to Share Units under the Plan, if any, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the Stock distributable shall, prior to actual distribution, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

**10.7 Employment Not Guaranteed** .

Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any employee any right to be retained in the employ of an Employer or to serve as a director.

**10.8 Errors.**

At any time AT&T may correct any error made under the Plan without prejudice to AT&T. Such corrections may include, among other things, changing or revoking a Stock Option issuance, canceling Share Units and refunding contributions to a Participant with respect to any period he or she made Employee Contributions while not an Eligible Employee, or canceling the enrollment of a non-Eligible Employee.

**10.9 Captions** .

The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control nor affect the meaning or construction of any of its provisions.

**10.10 Governing Law** .

To the extent not preempted by Federal law, the Plan, and all awards and agreements hereunder, and any and all disputes in connection therewith, shall be governed by and construed in accordance with the substantive laws of the State of Texas, without regard to conflict or choice of law principles which might otherwise refer the construction, interpretation or enforceability of this Plan to the substantive law of another jurisdiction.

Because awards under the Plan are granted in Texas, records relating to the Plan and awards thereunder are located in Texas, and the Plan and awards thereunder are administered in Texas, the Company and the Participant to whom an award under this Plan is granted, for themselves and their successors and assigns, irrevocably submit to the exclusive and sole jurisdiction and venue of the state or federal courts of Texas with respect to any and all disputes arising out of or relating to this Plan, the subject matter of this Plan or any awards under this Plan, including but not limited to any disputes arising out of or relating to the interpretation and enforceability of any awards or the terms and conditions of this Plan. To achieve certainty regarding the appropriate forum in which to prosecute and defend actions arising out of or relating to this Plan, and to ensure consistency in application and interpretation of the Governing Law to the Plan, the parties agree that (a) sole and exclusive appropriate venue for any such action shall be an appropriate federal or state court in Bexar County, Texas, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Texas court, and no other, (c) such Texas court shall have sole and exclusive jurisdiction over the person of such parties and over the subject matter of any dispute relating hereto and (d) that the parties waive any and all objections and defenses to bringing any such action before such Texas court, including but not limited to those relating to lack of personal jurisdiction, improper venue or *forum non conveniens* .

**10.11 Validity** .

In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

**10.12 Successors and Assigns** .

This Plan shall be binding upon AT&T and its successors and assigns.

**10.13 Participation in Predecessor Plans.**

Effective November 21, 1997, the plans of the Stock Savings Program were merged into the Stock Savings Plan. All Share Units under the Stock Based Savings Plan or the Management Stock Savings Plan were transferred to this Plan as of that date and are governed by the terms of this Plan.

# AT&T HEALTH PLAN

Effective: January 1, 1987
Previously Amended and Restated: January 1, 2011
Amended and Restated Effective: January 1, 2012 (unless otherwise provided herein)

**AT&T HEALTH PLAN**

**ARTICLE 1 PURPOSE**

The AT&T Health Plan ("Plan") provides Participants with supplemental medical, dental, and vision benefits. Effective March 23, 2010, the Plan shall be frozen to new Participants, as further described in Section 2.16. The Company intends this Plan to be a "grandfathered health plan" under the Patient Protection and Affordable Care Act (the "Affordable Care Act"). Appendix C hereto contains the required Participant disclosure regarding the Plan's grandfathered status under the Affordable Care Act.

**ARTICLE 2 DEFINITIONS**

For purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

**2.1 Active Participant**. "Active Participant" shall mean an Active Employee Participant and his Dependents.

**2.2 Active Employee Participant**. "Active Employee Participant" shall mean an Eligible Employee electing to participate in the Plan while in active service, on a Leave of Absence or while receiving short term disability benefits under the Officer Disability Plan.

**2.3 Annual Deductible**. "Annual Deductible" shall mean the amount the Active Participant must pay for Covered Health Services in a Plan Year before the Plan will begin paying for Covered Benefits in that calendar year. The Annual Deductible applies to all Covered Health Services. The Annual Deductible does not apply to Preventive Care, Dental Services and Vision Services. Solely for purposes of this Plan, the Annual Deductible will operate on a combined basis with the Annual Deductible (both the "Network/ONA" and "Non-Network Benefit" annual deductibles) applicable in the AT&T Medical Plan. Once the Participant meets his applicable Annual Deductible, the Plan will begin to pay Covered Benefits, subject to any required Coinsurance, in accordance with and as governed by Section 4.1. The applicable Annual Deductible is set forth in Appendix A to this Plan.

**2.4 Annual Out-of-Pocket Maximum.** "Annual Out-of-Pocket Maximum" shall mean the maximum amount of Covered Health Services an Active Participant must pay out-of-pocket every calendar year, including the Participant's Annual Deductible. Solely for purposes of this Plan, the Annual Out-of-Pocket Maximum will operate on a combined basis with the Annual Out-of-Pocket Maximum (both the "Network/ONA" and "Non-Network Benefit annual out-of-pocket maximums) applicable in the AT&T Medical Plan (or the Annual Out-of-Pocket Maximum in the AT&T International Health Plan for Officers serving in expatriate positions with the Company). Once the Participant reaches the applicable Annual Out-of-Pocket Maximum, Covered Benefits for those Covered Health Services that apply to the Annual Out-of-Pocket Maximum are payable in accordance with and as governed by Section 4.1 during the rest of that Plan Year. The following costs shall never apply toward the Annual Out-of-Pocket Maximum: (a) any applicable Monthly Contributions and (b) any charges for Non-Covered Health Services. Even when the Annual Out-of-Pocket Maximum has been reached, Covered Benefits will not be provided for the following: (a) any applicable Monthly Contributions and (b) any charges for Non-Covered Health Services. The applicable Annual Out-of-Pocket Maximum is set forth in Appendix A to this Plan.

**2.5 AT&T**. "AT&T" shall mean AT&T Inc. References to "Company" shall mean AT&T.

**2.6 Basic Plan(s)**. "Basic Plan(s)" shall mean AT&T's group medical (known as the "AT&T Medical Plan" (or the "AT&T International Health Plan" for Officers serving in expatriate positions with the Company)), dental (non-DHMO option), and vision care plans (including the AT&T Retiree Vision Care Program). For a Participant who Retired on or before August 31, 1992, Basic Plans shall mean the AT&T Medical and Group Life Insurance Plan–CustomCare ("CustomCare") and dental (non-DHMO option) plans. For this purpose, the Plan Administrator maintains governing records setting forth the names of those Participants who Retired on or before August 31, 1992.

**2.7 CEO**. "CEO" shall mean the Chief Executive Officer of AT&T Inc.

**2.8 COBRA**. "COBRA" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

**2.9 Coinsurance.** "Coinsurance" shall mean the amount an Active Participant must pay each time he receives Covered Health Services, after he meets the applicable Annual Deductible. Coinsurance payments are calculated as a percentage of Covered Health Services, rather than a set dollar amount. Coinsurance does not apply to Preventive Care, Dental Services and Vision Services (or Medical Services for Retired Participants as provided in Section 4.1(c)). The applicable Coinsurance percentage is set forth in Appendix A to this Plan.

**2.10 Committee**. "Committee" shall mean the Human Resources Committee of the Board of Directors of AT&T Inc.

**2.11 Covered Benefits**. "Covered Benefits" shall mean the benefits provided by the Plan, as provided for and governed by Section 4.1 of the Plan.

**2.12 Covered Health Services**. "Covered Health Services" means all Medical Services or Preventive Care that would qualify as deductible medical expenses for federal income tax purposes, whether deducted or not. Dental Services and Vision Services are not included in the definition of Covered Health Services.

**2.13 Dental Services**. "Dental Services" shall mean services for dental and orthodontic care. The Plan Administrator, in its sole discretion, shall determine whether a particular service is classified as Preventive Care or a Dental, Medical or Vision Service.

**2.14 Dependent(s)**. "Dependent(s)" shall mean those individuals who would qualify as a Participant's dependent(s) under the terms of the group medical Basic Plan in which the Participant participates, or, if applicable, Substitute Basic Coverage.

**2.15 Disability.** "Disability" shall mean qualification for long term disability benefits under Section 3.1 of the Officer Disability Plan.

**2.16 Eligible Employee**. "Eligible Employee" shall mean an Officer. Notwithstanding the foregoing, the CEO may, from time to time, exclude any Officer or group of Officers from being an "Eligible Employee" under this Plan. Employees of a company acquired by AT&T shall not be considered an Eligible Employee unless designated as such by the CEO. Notwithstanding the foregoing, only the Committee shall have the authority to exclude from participation or take any action with respect to Executive Officers.

Notwithstanding the foregoing provisions, individuals hired, rehired or promoted to an Officer level position on or after March 23, 2010 shall be excluded from the term Eligible Employee, and such individuals (and their Dependents) shall not be eligible to participate in this Plan.

**2.17 Employer**. "Employer" shall mean AT&T Inc. or any of its Subsidiaries.

**2.18 Executive Officer**. "Executive Officer" shall mean any executive officer of AT&T, as that term is used under the Securities Exchange Act of 1934.

**2.19 Leave of Absence**. "Leave of Absence" shall mean a Company-approved leave of absence.

**2.20 Medical Services.** "Medical Services" shall mean medical/surgical, mental health/substance abuse and prescription pharmacy services. The Plan Administrator, in its sole discretion, shall determine whether a particular service is classified as Preventive Care or a Medical, Dental or Vision Service. Medical Services do not include Dental Services and Vision Services.

**2.21 Monthly Contributions.** "Monthly Contributions" shall mean the monthly premiums or contributions required for participation in this Plan as further governed by Article 7 of the Plan. The applicable Monthly Contributions are set forth in Exhibit A to this Plan.

**2.22 Non-Covered Health Services .** "Non-Covered Health Services" shall mean any Medical Services or Preventive Care which do not meet the definition of Covered Health Services.

**2.23 Officer** . "Officer" shall mean an individual who is designated as an officer level employee for compensation purposes on the records of AT&T.

**2.24 Participant** . "Participant" shall mean an Active Participant or Retired Participant or both, as the context indicates.

**2.25 Plan Administrator** . "Plan Administrator" shall mean the SEVP-HR, or any other person or persons whom the Committee may appoint to administer the Plan; provided that the Committee may act as the Plan Administrator at any time.

**2.26 Plan Year** . "Plan Year" shall mean the calendar year.

**2.27 Preventive Care** . "Preventive Care" shall have the same meaning as such term has in the AT&T Medical Plan. The plan administrator for the AT&T Medical Plan shall determine whether a particular service constitutes Preventive Care and the Plan Administrator for this Plan shall rely upon such determination.

**2.28 Qualified Dependent** . "Qualified Dependent" shall mean a Dependent who loses coverage under a COBRA eligible program due to a Qualifying Event.

**2.29 Qualifying Event** . "Qualifying Event" shall mean any of the following events if, but for COBRA continuation coverage, they would result in a Participant's loss of coverage under this Plan:

(1) death of a covered Eligible Employee;
(2) termination (other than by reason of such Eligible Employee's gross misconduct) of an Employee's employment;
(3) reduction in hours of an Eligible Employee;
(4) divorce or legal separation of an Eligible Employee or dissolution of an Eligible Employee's registered domestic partnership;
(5) an Eligible Employee's entitlement to Medicare benefits; or
(6) a Dependent child ceasing to qualify as a Dependent under the group medical Basic Plan, or, if applicable, Substitute Basic Coverage.

**2.30 Retire, Retired or Retirement** . "Retire," "Retired" or "Retirement" shall mean the termination of an Active Employee Participant's employment with AT&T or any of its Subsidiaries, for reasons other than death, on or after the earlier of the following dates: (1) the date such Active Employee Participant has attained age 55, and, for an Active Employee Participant on or after January 1, 2002, has five (5) years of service, or (2) the date the Active Employee Participant has attained one of the following combinations of age and service at termination of employment on or after April 1, 1997:

| Net Credited Service | Age |
|---|---|
| 25 years or more | 50 or older |
| 30 years or more | Any age |

**2.31 Retired Participant** . "Retired Participant" shall mean a Retired Employee Participant and his Dependents.

**2.32 Retired Employee Participant** . "Retired Employee Participant" shall mean a former Active Employee Participant who has Retired within the meaning of Section 2.30 and who meets the additional requirements of Section 3.2 to be eligible for coverage in Retirement.

**2.33 SEVP-HR .** "SEVP-HR" shall mean AT&T's highest ranking Officer, specifically responsible for human resources matters.

**2.34 Subsidiary** . "Subsidiary" shall mean any corporation, partnership, venture or other entity in which AT&T holds, directly or indirectly, a 50% or greater ownership interest. The Committee may, at its sole discretion, designate any other corporation, partnership, venture or other entity a Subsidiary for the purpose of participating in this Plan. Notwithstanding anything herein to the contrary, unless designated a "Subsidiary" pursuant to the immediately preceding sentence, Cingular Wireless LLC, Sterling Commerce, Inc., and their respective subsidiaries shall not be considered a Subsidiary under this Plan.

**2.35 Vision Services** . "Vision Services" shall mean services for vision care. The Plan Administrator, in its sole discretion, shall determine whether a particular service is classified as Preventive Care or a Vision, Medical or Dental Service.

## ARTICLE 3 ELIGIBILITY

**3.1 Active Participants** . Each Eligible Employee shall be eligible to participate in this Plan along with his/her Dependent(s) beginning on the effective date of the employee becoming an Eligible Employee.

Upon becoming an Eligible Employee, he/she shall have 90 days to elect to participate in this Plan. In order to continue participation, the Active Participant must pay all applicable Monthly Contributions. If an Active Employee Participant terminates participation in this Plan at any time for any reason, that Participant and his/her Dependent(s) shall be ineligible to participate in the Plan at any time in the future.

**3.2 Retired Participants .** Provisions of this Plan will continue in effect during Retirement for each Retired Employee Participant and his/her Dependent(s) with respect to any Eligible Employee who became a Participant before January 1, 1999. Neither an Eligible Employee who became a Participant after December 31, 1998 nor his/her Dependent(s) shall be eligible for participation hereunder on or after such Participant's Retirement. Coverage for Retired Participants shall be subject to the payment of all applicable Monthly Contributions, as governed by Article 7. The provisions of this Plan related to Retired Participants, including the level of Covered Benefits and the applicable Monthly Premiums, shall begin to apply on the first day of the month following the month in which the Active Employee Participant Retires. If a Retired Employee Participant terminates participation at any time for any reason, participation of that Retired Employee participant and his/her Dependent(s) may not be reinstated for any reason.

**3.3 Requirement to Enroll and Participate in Basic Plans and Medicare .** Notwithstanding any provision in this plan to the contrary, as a condition to participation in the Plan, each Participant must be enrolled in, paying for, and participating in (i) the Basic Plans, or, if applicable, Substitute Basic Coverage, and (ii) all parts of Medicare for which such Participant is eligible and for which Medicare would be primary if enrolled therein, except for Medicare Part D relating to prescription drug coverage.

Notwithstanding any other provision of the Plan to the contrary, an individual who first becomes an Eligible Employee in the middle of a Plan Year and who is enrolled in AT&T sponsored group health plans other than the Basic Plans, will be allowed to participate in the Plan for the remainder of the Plan Year along with his/her Dependent(s) who are enrolled in such other AT&T sponsored health plans, as if they were participating in the Basic Plans. At the next group enrollment opportunity for the Basic Plans, the Active Employee Participant and his/her Dependent(s) must enroll in the Basic Plans to continue participation in this Plan.

## ARTICLE 4 BENEFITS

**4.1 Covered Benefits** . Subject to the limitations in this Plan (including but not limited to the loyalty conditions set forth in Article 8 below), this Plan provides the benefits described below. Monthly Contributions for participation in this Plan, the Basic Plans, Medicare, or any other health plan are not considered "services", and are

therefore are not Covered Benefits under this Plan.

**(a) Active Participants (Medical Services and Preventive Care) -**

Medical Services - After the Annual Deductible has been met, 100% payment of Covered Health Services not paid under the AT&T Medical Plan (or AT&T International Health Plan with respect to Officers serving in expatriate positions with the Company) or Medicare minus the amount of Coinsurance, until the Active Participant reaches the Annual Out-of-Pocket Maximum, at which time coverage is 100% of Covered Health Services not paid under the AT&T Medical Plan (or AT&T International Health Plan with respect to Officers serving in expatriate positions with the Company) .

Preventive Care - Preventive Care, whether received as a "Network/ONA" service or "Non-Network" service, as defined in the AT&T Medical Plan, is covered at 100%, not subject to the Annual Deductible or Coinsurance.

**(b) Active Participants (Dental Services and Vision Services) -**

100% payment, through reimbursement or otherwise, of all Dental Services and Vision Services not paid under the Active Participant's (i) Basic Plans or (ii) Medicare, provided expenses for such services would qualify as deductible medical expenses for federal income tax purposes, whether deducted or not.

**(c) Retired Participants –**

100% payment, through reimbursement or otherwise, of all Medical, Dental, Vision and Preventive services not paid under the Retired Participant's (i) Basic Plans or, if applicable, Substitute Basic Coverage, or (ii) Medicare, provided expenses for such services would qualify as deductible medical expenses for federal income tax purposes, whether deducted or not.

**4.2 Covered Benefit Limits . RESERVED**

**4.3 Priority of Paying Covered Claims .** Claims for benefits will be applied against the various health plans and coordinated with Medicare in the following order:

(1) Medicare, to the extent the Participant is eligible therefore and such claim is actually paid by Medicare,
(2) Basic Plans,
(3) CarePlus, if elected,
(4) Long Term Care Plan, if elected,
(5) this Plan.

**4.4 Substitute Basic Coverage .** Notwithstanding any other provision of this Plan to the contrary, if a Retired Employee Participant is eligible for participation under this Plan during Retirement, but not eligible to participate under the Basic Plans, the Plan shall provide medical, dental, and vision benefits for the Retired Employee Participant and his/her Dependent(s) substantially equivalent to the benefits under the Basic Plans through an insured product (hereinafter, "Substitute Basic Coverage"). Eligibility for Substitute Basic Coverage is conditioned upon the Retired Participant's payment of contributions in the same amount that a similarly situated retired Basic Plan participant is required to pay under the Basic Plans. Such Substitute Basic Coverage shall constitute such Retired Participant's Basic Plans for all purposes under this Plan. The costs of Substitute Basic Coverage (except for the required monthly contributions referenced in this paragraph) shall be borne by AT&T, and the costs of Substitute Basic Coverage shall not be included in the determination of any Retired Participant's annual Plan contribution amount as provided in Article 7. In addition, certain other Retired Employee Participants participate in the "Separation Medical Plan" rather than the Basic Plans. References to Substitute Basic Coverage throughout this Plan shall be deemed to include the Separation Medical Plan. The Plan Administrator maintains records governing the names of those Retired Employee Participants who have Substitute Basic Coverage or Separation Medical Plan coverage.

## ARTICLE 5 TERMINATION OF PARTICIPATION

**5.1 Termination of Participation .** Participation will cease on the last day of the month in which one of the following conditions occurs:

(1) The Participant is no longer a participant in the Basic Plans or Substitute Basic Coverage, in which case participation ceases for such Participant;

(2) A Participant eligible to enroll in Medicare is no longer a participant in all parts of Medicare for which such Participant is eligible to enroll and for which Medicare would be primary if enrolled therein, except for Medicare Part D relating to prescription drug coverage, in which case participation ceases for such Participant;

(3) The Active Employee Participant's termination of employment for reasons other than Death, Disability, or Retirement by an individual who meets the applicable requirements of Section 3.2 in order to qualify for Plan benefits in Retirement, in which case participation ceases for the Participant and his/her Dependent(s);

(4) The demotion or designation of an Active Employee Participant so as to no longer be eligible to participate in the Plan, in which case participation ceases for the Participant and his/her Dependent(s);

(5) The Active Employee Participant (or Retired Employee Participant) participates in an activity that constitutes engaging in competitive activity with AT&T or engaging in conduct disloyal to AT&T under Article 8, in which case participation ceases for the Active Employee Participant (or Retired Employee Participant) and his/her Dependent(s); or

(6) Discontinuance of the Plan by AT&T, or, with respect to a Subsidiary's Active Employee Participants (or Retired Employee Participants), such Subsidiary's failure to make the benefits hereunder available to Active Employee Participants employed by it (or its Retired Employee Participants).

**5.2 Dependents Failure to Participate in Basic Plans .** If a Dependent ceases participation under a Basic Plan or, if applicable, Substitute Basic Coverage, such Dependent's participation under this Plan will cease with the same effective date.

**5.3 Death .** In the event of the Active Employee Participant's (or Retired Employee's Participant's) death, his Dependents may continue participation in this Plan as follows:

(1) In the event of the death of a Retired Employee Participant such Retired Employee Participant's Dependents may continue participation in this Plan, eligible for the Covered Benefits described in Section 4.1(c) of the Plan, for so long as such Dependents are participating in the Basic Plans (or, if applicable, Substitute Basic Coverage) and are paying any applicable contributions for this Plan as provided in Article 7. If a surviving spouse of such deceased Active Employee Participant otherwise eligible for participation in the Plan remarries, his/her participation and the participation of any otherwise eligible Dependents will cease with the effective date of his/ her marriage.

(2) In the event of an in-service death of an Active Employee Participant eligible to participate in the Plan in Retirement as provided under Article 3.2, who was Retirement eligible, within the meaning of Section 2.30, at the time of death, such Active Employee Participant's surviving Dependents may continue participation in this Plan, eligible for the Covered Benefits described in Section 4.1(a) and (b), for so long as such Dependents are participating in the Basic Plans (or, if applicable Substitute Basic Coverage) and are paying any applicable contributions for this Plan as provided in Article 7. If a surviving spouse of such deceased Active Employee Participant otherwise eligible for participation in the Plan remarries, his/her participation and the participation of any

otherwise eligible Dependents will cease with the effective date of his/ her marriage.

(3) In the event of (i) an in-service death of an Active Employee Participant not eligible to participate in the Plan in Retirement as provided in Article 3.2 or (ii) an in-service death of an Active Employee Participant eligible to participate in the Plan in Retirement as provided in Article 3.2 but the individual was not Retirement eligible, within the meaning of Section 2.30, at the time of death, such Active Employee Participant's Dependent(s) may continue participation in this Plan, eligible for the Covered Benefits described in Sections 4.1(a) and (b), for a 36-month period commencing the month following the month in which such Active Employee Participant dies as long as such Dependent(s) are participating in the Basic Plans and subject to the payment of Active Participant Contributions for the first 12 months and payment of Active COBRA Contributions for the remaining 24 months, as provided by Articles 7 and 10.1. If the Active Employee Participant's Dependent(s) are eligible for COBRA, they will automatically be enrolled in COBRA so that there is no lapse in coverage, and this 36-month coverage will be integrated and run concurrently with COBRA coverage.

## ARTICLE 6 DISABILITY

**6.1** **Disability** . With respect to any Active Employee Participant who commences receipt of short term or long term disability benefits under the Officer Disability Plan, participation under this Plan will be as follows:

(1) The Participant will continue to participate in this Plan, eligible for the Covered Benefits described in Section 4.1(a) and (b), for as long as he/she receives short term disability benefits under the Officer Disability Plan and pays the applicable contributions for this Plan as provided by Article 7.

(2) An Active Employee Participant not eligible to participate in the Plan in Retirement as provided in Article 3.2 who commences long term disability benefits under the Officer Disability Plan or an Active Employee Participant eligible to participate in the Plan in Retirement as provided in Article 3.2 but who is not Retirement eligible, within the meaning of Section 2.30, at the time long term disability benefits under the Officer Disability Plan commence, will cease participation in this Plan (along with his/her Dependents) effective as of the last day of the calendar month in which such long term disability benefits commence, unless such benefits commence on the first day of a calendar month, in which case participation in this Plan shall cease effective as of the last day of the prior month.

(3) An Active Employee Participant eligible to participate in the Plan in Retirement as provided in Article 3.2 ,who is Retirement eligible, within the meaning of Section 2.30, at the time long term disability benefits under the Officer Disability Plan commence, will be eligible to continue participation in this Plan on the same terms and conditions that participation would be available to such Participant in Retirement, subject to the payment of applicable contributions for this Plan as provided by Article 7, regardless of his/her continued receipt of long term disability benefits under the Officer Disability Plan.

## ARTICLE 7 COSTS

**7.1** **Provision of Benefits under the Plan** . Except as provided below in this Article 7 with respect to required Monthly Contributions or with respect to any required Coinsurance, the benefits available to Participants under this Plan shall be provided through an insurance policy maintained by AT&T.

**7.2** **Active Participant Contributions** . An Active Participant electing to participate in the Plan will pay Monthly Contributions to participate in the Plan while in active service, while on Leave of Absence or while receiving short term disability benefits under the Officer Disability Plan. The Monthly Contribution for participation may change annually, effective at the beginning of each Plan Year. Contributions to be made by Active Participants electing to participate in the Plan shall be set annually by the SEVP-HR, determined in the SEVP-HR's sole and absolute discretion. The SEVP-HR may adopt tiered rates for similarly situated groups of Participants based on factors such as the number of Dependents covered or Medicare eligibility. Notwithstanding the foregoing, required Monthly Contributions for Executive Officers shall be approved by the Committee.

**7.3** **Retired Participant Contributions** . Retired Participants who elect to participate will pay Monthly Contributions to participate in the Plan. The Monthly Contribution for participation may change annually, effective at the beginning of each Plan Year. Contributions to be made by Retired Participants who elect to participate shall be set annually by the SEVP-HR (in his/her sole and absolute discretion), to the extent their contributions have not previously been provided for in a separate agreement.

**7.4** **Survivor Contributions.** Upon the death of a Participant, the Participant's Dependents shall be required to pay Monthly Contributions to participate in the Plan. The Monthly Contributions shall be set annually by the SEVP-HR, in the SEVP-HR's sole and absolute discretion. Any changes to the Monthly Contributions shall be effective at the beginning of each Plan Year.

**7.5** **Contributions for Participants on Disability** . Participants continuing benefits while on Disability shall be required to pay Monthly Contributions to participate in the Plan. The Monthly Contributions shall be set annually by the SEVP-HR, determined in the SEVP-HR's sole and absolute discretion. Any changes to the Monthly Contributions shall be effective at the beginning of each Plan Year.

## ARTICLE 8 LOYALTY CONDITIONS

**8.1** Participants acknowledge that no coverage and benefits would be provided under this Plan on and after January 1, 2010 but for the loyalty conditions and covenants set forth in this Article, and that the conditions and covenants herein are a material inducement to AT&T's willingness to sponsor the Plan and to offer Plan coverage and benefits for the Participants on or after January 1, 2010. Accordingly, as a condition of receiving coverage and any Plan benefits on or after January 1, 2010, each Participant is deemed to agree that he shall not, without obtaining the written consent of the Plan Administrator in advance, participate in activities that constitute engaging in competition with AT&T or engaging in conduct disloyal to AT&T, as those terms are defined in this Section. Further and notwithstanding any other provision of this Plan, all coverage and benefits under this Plan on and after January 1, 2010 with respect to a Participant and his or her Dependents shall be subject in their entirety to the enforcement provisions of this Section if the Participant, without the Plan Administrator's consent, participates in an activity that constitutes engaging in competition with AT&T or engaging in conduct disloyal to AT&T, as defined below. The provisions of this Article 8 as in effect immediately before such date shall be applicable to Participants who retire before January 1, 2010.

**8.2** **Definitions** . For purposes of this Article and of the Plan generally

(1) an "Employer Business" shall mean AT&T, any Subsidiary, or any business in which AT&T or a Subsidiary or an affiliated company of AT&T has a substantial ownership or joint venture interest;

(2) "engaging in competition with AT&T" shall mean, while employed by an Employer Business or within two (2) years after the Participant's termination of employment, engaging by the Participant in any business or activity in all or any portion of the same geographical market where the same or substantially similar business or activity is being carried on by an Employer Business. "Engaging in competition with AT&T" shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer Business. "Engaging in competition with AT&T" shall include representing or providing consulting services to, or being an employee or director of, any person or entity that is engaged in competition with any Employer Business or that takes a position adverse to any Employer Business.

(3) "engaging in conduct disloyal to AT&T" means, while employed by an Employer Business or within two (2) years after the Participant's termination of employment, (i) soliciting for employment or hire, whether as an employee or as an independent contractor, for any business in competition with an Employer Business, any person employed by AT&T or its affiliates during the one (1) year prior to the termination of the Participant's employment, whether or not acceptance of such position would constitute a breach of such person's contractual obligations to AT&T and its affiliates; (ii) soliciting, encouraging, or inducing any vendor or supplier with which Participant had business contact on behalf of any Employer Business during the two (2) years prior to the termination of the Participant's employment, for any reason to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with AT&T or its affiliate; or (iii) soliciting, encouraging, or inducing any customer or active prospective customer with whom Participant had

business contact, whether in person or by other media, on behalf of any Employer Business during the two (2) years prior to the termination of Participant's employment for any reason ("Customer"), to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with any Employer Business, or to purchase competing goods or services from a business competing with any Employer Business, or accepting or servicing business from such Customer on behalf of himself or any other business. "Engaging in conduct disloyal to AT&T" also means, disclosing Confidential Information to any third party or using Confidential Information, other than for an Employer Business, or failing to return any Confidential Information to the Employer Business following termination of employment.

(4) "Confidential Information" shall mean all information belonging to, or otherwise relating to, an Employer Business, which is not generally known, regardless of the manner in which it is stored or conveyed to the Participant, and which the Employer Business has taken reasonable measures under the circumstances to protect from unauthorized use or disclosure. Confidential Information includes trade secrets as well as other proprietary knowledge, information, know-how, and non-public intellectual property rights, including unpublished or pending patent applications and all related patent rights, formulae, processes, discoveries, improvements, ideas, conceptions, compilations of data, and data, whether or not patentable or copyrightable and whether or not it has been conceived, originated, discovered, or developed in whole or in part by the Participant. For example, Confidential Information includes, but is not limited to, information concerning the Employer Business' business plans, budgets, operations, products, strategies, marketing, sales, inventions, designs, costs, legal strategies, finances, employees, customers, prospective customers, licensees, or licensors; information received from third parties under confidential conditions; or other valuable financial, commercial, business, technical or marketing information concerning the Employer Business, or any of the products or services made, developed or sold by the Employer Business. Confidential Information does not include information that (i) was generally known to the public at the time of disclosure; (ii) was lawfully received by the Participant from a third party; (iii) was known to the Participant prior to receipt from the Employer Business; or (iv) was independently developed by the Participant or independent third parties; in each of the foregoing circumstances, this exception applies only if such public knowledge or possession by an independent third party was without breach by the Participant or any third party of any obligation of confidentiality or non-use, including but not limited to the obligations and restrictions set forth in this Plan.

**8.3** **Forfeiture of Benefits**. Subject to the provisions of Section 1001(5) of the Affordable Care Act, coverage and benefits shall be forfeited and shall not be provided under this Plan for any period as to which the Plan Administrator determines that, within the time period and without the written consent specified, Participant has been either engaging in competition with AT&T or engaging in conduct disloyal to AT&T.

**8.4** **Equitable Relief**. The parties recognize that any Participant's breach of any of the covenants in this Article 8 will cause irreparable injury to AT&T, will represent a failure of the consideration under which AT&T (in its capacity as creator and sponsor of the Plan) agreed to provide the Participant with the opportunity to receive Plan coverage and benefits, and that monetary damages would not provide AT&T with an adequate or complete remedy that would warrant AT&T's continued sponsorship of the Plan and payment of Plan benefits for all Participants. Accordingly, in the event of a Participant's actual or threatened breach of the covenants in this Article, the Plan Administrator, in addition to all other rights and acting as a fiduciary under ERISA on behalf of all Participants, shall have a fiduciary duty (in order to assure that AT&T receives fair and promised consideration for its continued Plan sponsorship and funding) to seek an injunction restraining the Participant from breaching the covenants in this Article 8. In addition, AT&T shall pay for any Plan expenses that the Plan Administrator incurs hereunder, and shall be entitled to recover from the Participant its reasonable attorneys' fees and costs incurred in obtaining such injunctive remedies. To enforce its repayment rights with respect to a Participant, the Plan shall have a first priority, equitable lien on all Plan benefits provided to or for the Participant and his or her Dependents. In the event the Plan Administrator succeeds in enforcing the terms of this Article through a written settlement with the Participant or a court order granting an injunction hereunder, the Participant shall be entitled to collect Plan benefits collect Plan benefits prospectively, if the Participant is otherwise entitled to such benefits, net of any fees and costs assessed pursuant hereto (which fees and costs shall be paid to AT&T as a repayment on behalf of the Participant), provided that the Participant complies with said settlement or injunction.

**8.5** **Uniform Enforcement**. In recognition of AT&T's need for nationally uniform standards for the Plan administration, it is an absolute condition in consideration of any Participant's accrual or receipt of benefits under the Plan after January 1, 2010 that each and all of the following conditions apply to all Participants and to any benefits that are paid or are payable under the Plan:

(1) ERISA shall control all issues and controversies hereunder, and the Committee shall serve for purposes hereof as a "fiduciary" of the Plan, and as its "named fiduciary" within the meaning of ERISA.

(2) All litigation between the parties relating to this Article shall occur in federal court, which shall have exclusive jurisdiction, any such litigation shall be held in the United States District Court for the Northern District of Texas, and the only remedies available with respect to the Plan shall be those provided under ERISA.

(3) If the Plan Administrator determines in its sole discretion either (I) that AT&T or its affiliate that employed the Participant terminated the Participant's employment for cause, or (II) that equitable relief enforcing the Participant's covenants under this Article 8 is either not reasonably available, not ordered by a court of competent jurisdiction, or circumvented because the Participant has sued in state court, or has otherwise sought remedies not available under ERISA, then in any and all of such instances the Participant shall not be entitled to collect any Plan benefits, and if any Plan benefits have been paid to the, the Participant shall immediately repay all Plan benefits to the Plan (with such repayments being used within such year for increased benefits for other Participants in any manner determined in the Plan Administrator's discretion) upon written demand from the Plan Administrator. Furthermore, the Participant shall hold AT&T and its affiliates harmless from any loss, expense, or damage that may arise from any of the conduct described in clauses (I) and (II) hereof.

## ARTICLE 9 MISCELLANEOUS

**9.1** **Administration**. The Plan Administrator is the named fiduciary of the Plan and has the power and duty to do all things necessary to carry out the terms of the Plan. The Plan Administrator has the sole and absolute discretion to interpret the provisions of the Plan, to make findings of fact, to determine the rights and status of Participants and other under the Plan, to determine which expenses and benefits qualify as Covered Health Services or Covered Benefits, to make all benefit determinations under the Plan, to decide disputes under the Plan and to delegate all or a part of this discretion to third parties and insurers. To the fullest extent permitted by law, such interpretations, findings, determinations and decisions shall be final, binding and conclusive on all persons for all purposes of the Plan. The Plan Administrator may delegate any or all of its authority and responsibility under the Plan to other individuals, committees, third party administrators, claims administrators or insurers for any purpose, including, but not limited to the processing of benefits and claims related thereto. In carrying out these functions, these individuals or entities have been delegated responsibility and discretion for interpreting the provisions of the Plan, making findings of fact, determining the rights and status of Participants and others under the Plan, and deciding disputes under the Plan and such interpretations, findings, determinations and decisions shall be final, binding and conclusive on all persons for all purposes of the Plan.

**9.2** **Amendments and Termination**. This Plan may be modified or terminated at any time in accordance with the provisions of AT&T's Schedule of Authorizations.

**9.3** **Newborns' and Mothers' Health Protection Act of 1996**. To the extent this Plan provides benefits for hospital lengths of stay in connection with childbirth, the Plan will cover the minimum length of stay required for deliveries (i.e., a 48-hour hospital stay after a vaginal delivery or a 96-hour stay following a delivery by Cesarean section.) The mother's or newborn's attending physician, after consulting with the mother, may discharge the mother or her newborn earlier than the minimum length of stay otherwise required by law. Such coverage shall be subject to all other provisions of this Plan.

**9.4** **Women's Health and Cancer Rights Act of 1998**. To the extent this Plan provides benefits for mastectomies, it will provide, for an individual who is receiving benefits in connection with a mastectomy and who elects breast reconstruction in connection with such mastectomy, coverage for reconstruction on the breast on which the mastectomy was performed, surgery and reconstruction on the other breast to give a symmetrical appearance, and prosthesis and coverage for physical complications of all stages of the mastectomy, including lymphedemas. Such coverage shall be subject to all other provisions of this Plan.

**9.5** **Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008**. To the extent this Plan provides mental health benefits or substance use disorder benefits it will not place annual or lifetime maximums for such benefits that are lower than the annual and lifetime maximums for physical health

benefits. In addition, the financial requirements (e.g., deductibles and co-payments) and treatment limitations (e.g., number of visits or days of coverage) that apply to mental health benefits or substance use disorder benefits will not be more restrictive than the predominant financial requirements or treatment limitations that apply to substantially all medical/surgical benefits; mental health benefits and substance use disorder benefits will not be subject to any separate cost sharing requirements or treatment limitations that only apply to such benefits; if the Plan provides for out of network medical/surgical or substance use disorder benefits, it will provide for out of network mental health and substance use disorder benefits and standards for medical necessity determinations and reasons for any denial of benefits relating to mental health benefits and substance use disorder benefits will be made available upon request to plan participants. Such coverage shall be subject to all other provisions of this Plan.

**9.6 Continuation of Coverage During Family or Medical Leave**. During any period which an Active Employee Participant is on a family or medical leave as defined in the Family or Medical Leave Act, any benefit elections in force for such Participant shall remain in effect. While the Participant is on paid leave, contributions shall continue. If the Participant is on an unpaid leave, the Participant may elect to prepay required contributions on a pre-tax basis before the commencement of such unpaid leave. Alternatively, the Participant may elect to make such payments on an after-tax basis monthly in accordance with an arrangement that the Plan Administrator shall provide. If coverage is not continued during the entire period of the family or medical leave because the Participant declines to pay the premium, the coverage must be reinstated upon reemployment with no exclusions or waiting periods, notwithstanding any other provision of this Plan to the contrary. If the Participant does not return to work upon completion of the leave, the Participant must pay the full cost of any health care coverage that was continued on his/her behalf during the leave. These rules apply to the COBRA eligible programs.

**9.7 Rights While on Military Leave**. Pursuant to the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994, an Active Employee Participant on military leave will be considered to be on a Leave of Absence and will be entitled during the leave to the health and welfare benefits that would be made available to other similarly situated employees if they were on a Leave of Absence. This entitlement will end if the individual provides written notice of intent not to return to work following the completion of the military leave. The individual shall have the right to continue his/her coverage, including any Dependent coverage, for the lesser of the length of the leave or 18 months. If the military leave is for a period of 31 days or more, the individual may be required to pay 102 percent of the total premium (determined in the same manner as a COBRA continuation coverage premium). If coverage is not continued during the entire period of the military leave because the individual declines to pay the premium or the leave extends beyond 18 months, the coverage must be reinstated upon reemployment with no pre-existing condition exclusions (other than for service-related illnesses or injuries) or waiting periods (other than those applicable to all Eligible Employees).

**9.8 Qualified Medical Child Support Orders**. The Plan will comply with any Qualified Medical Child Support Order issued by a court of competent jurisdiction or administrative body that requires the Plan to provide medical coverage to a Dependent child of an Active Employee or Retired Employee Participant. The Plan Administrator will establish reasonable procedures for determining whether a court order or administrative decree requiring medical coverage for a Dependent child meets the requirements for a Qualified Medical Child Support Order. The cost of coverage or any additional cost of such coverage, if any, shall be borne by the Participant.

**9.9 Right of Recovery.** If the Plan has made an erroneous or excess payment to any Participant, the Plan Administrator shall be entitled to recover such excess from the individual or entity to whom such payments were made. The recovery of such overpayment may be made by offsetting the amount of any other benefit or amount payable by the amount of the overpayment under the Plan.

## ARTICLE 10 COBRA

**10.1 Continuation of Coverage Under COBRA**. Participants shall have all COBRA continuation rights required by federal law and all conversion rights. COBRA continuation coverage shall be continued as provided in this Article 10.

**10.2 COBRA Continuation Coverage for Terminated Participants**. A covered Active Employee Participant may elect COBRA continuation coverage, at his/her own expense, if his participation under this Plan would terminate as a result of one of the following Qualifying Events: an Employee's termination of employment or reduction of hours with an Employer.

**10.3 COBRA Continuation Coverage for Dependents**. A Qualified Dependent may elect COBRA continuation coverage, at his/her own expense, if his/her participation under this Plan would terminate as a result of a Qualifying Event.

**10.4 Period of Continuation Coverage for Covered Participants.** A covered Active Employee Participant who qualifies for COBRA continuation coverage as a result of a Participant's termination of employment or reduction in hours of employment described in Subsection 10.2 may elect COBRA continuation coverage for up to 18 months measured from the date of the Qualifying Event.

Coverage under this Subsection 10.4 may not continue beyond the:

(1) date on which the Active Employee Participant's Employer ceases to maintain this Plan;

(2) last day of the month for which premium payments have been made with respect to this Plan, if the individual fails to make premium payments on time, in accordance with Subsection 10.6 ;

(3) date the covered Active Employee Participant becomes entitled to Medicare; or

(4) date the covered Participant is no longer subject to a pre-existing condition exclusion under the Participant's other coverage or new employer plan for the type of coverage available under the COBRA eligible program for which the COBRA election was made.

**10.5 Period of COBRA Continuation Coverage for Dependents**. If a Qualified Dependent elects COBRA continuation coverage under a COBRA eligible program as a result of the an Active Employee Participant's termination of employment as described in Subsection 10.2, continuation coverage may be continued for up to 18 months measured from the date of the Qualifying Event. COBRA continuation coverage for all other Qualifying Events may continue for up to 36 months.

Continuation coverage under this Subsection 10.5 with respect to a COBRA eligible program may not continue beyond the date:

(1) on which premium payments have not been made, in accordance with Subsection 10.6 below;

(2) the Qualified Dependent becomes entitled to Medicare;

(3) on which the Employer ceases to maintain this Plan; or

(4) the Qualified Dependent is no longer subject to a pre-existing condition exclusion under the Participant's other coverage or new employer plan for the type of coverage available under this Plan.

**10.6 Contribution Requirements for COBRA Continuation Coverage**. Covered Participants and Qualified Dependents who elect COBRA continuation coverage as a result of a Qualifying Event will be required to pay continuation coverage payments. Continuation coverage payments are the payments required for COBRA continuation coverage that is an amount equal to a reasonable estimate of the cost to this Plan of providing coverage for all covered Participants at the time of the Qualifying Event plus a 2% administrative expense. In the case of a disabled individual who receives an additional 11-month extended coverage under COBRA, the Employer may assess up to 150% of the cost for this extended coverage period. Such cost shall be determined on an actuarial basis and take into account such factors as the Secretary of the Treasury may prescribe in regulations.

Covered Participants and Qualified Dependents must make the continuation coverage payment prior to the first day of the month in which such coverage will take effect. However, a covered Participant or Qualified Dependent has 45 days from the date of an affirmative election to pay the continuation coverage payment for the first month's payment and the cost for the period between the date medical coverage would otherwise have terminated due to the Qualifying Event and the date the covered

Participant and/or Qualified Dependent actually elects COBRA continuation coverage.

The covered Participant and/or Qualified Dependent shall have a 30-day grace period to make the continuation coverage payments due thereafter. Continuation coverage payments must be postmarked on or before the completion of the 30-day grace period. If continuation coverage payments are not made on a timely basis, COBRA continuation coverage will terminate as of the last day of the month for which timely premiums were made. The 30-day grace period shall not apply to the 45-day period for the first month's payment of COBRA premiums as set out in the section above.

If payment is received that is significantly less than the required continuation coverage payment, then continuation coverage will terminate as of the last day of the month for which premiums were paid. A payment is considered significantly less than the amount due if it is greater than the lesser of $50 or 10% of the required continuation coverage payment. Upon receipt of a continuation coverage payment that is insignificantly less than the required amount, the Plan Administrator must notify the covered Participant or Qualified Dependent of the amount of the shortfall and provide them with an additional 30-day grace period from the date of the notice for this payment only.

**10.7 Limitation on Participant's Rights to COBRA Continuation Coverage** .

(1) If a Qualified Dependent loses, or will lose medical coverage under this Plan as a result of divorce, legal separation, entitlement to Medicare, or ceasing to be a Dependent, such Qualified Dependent is responsible for notifying the Plan Administrator in writing within 60 days of the Qualifying Event. Failure to make timely notification will terminate the Qualified Dependent's rights to COBRA continuation coverage under this Article.

(2) A Participant must complete and return the required enrollment materials within 60 days from the later of (a) the date of loss of coverage, or (b) the date the Plan Administrator sends notice of eligibility for COBRA continuation coverage. Failure to enroll for COBRA continuation coverage during this 60-day period will terminate all rights to COBRA continuation coverage under this Article. An affirmative election of COBRA continuation coverage by a Participant or his/her spouse shall be deemed to be an election for that Participant's Dependent(s) who would otherwise lose coverage under the Plan.

**10.8 Subsequent Qualifying Event** . If a second Qualifying Event occurs during an 18-month extension explained above, coverage may be continued for a maximum of 36 months from the date of the first Qualifying Event. In the event the Dependent loses coverage due to a Qualifying Event and after such date the Participant becomes entitled to Medicare, the Dependent shall have available up to 36 months of coverage measured from the date of the Qualifying Event that causes the loss of coverage. If the Participant was entitled to Medicare prior to the Qualifying Event, the Dependent shall have up to 36 months of coverage measured from the date of entitlement to Medicare.

**10.9 Extension of COBRA Continuation Period for Disabled Individuals** . The period of continuation shall be extended to 29 months in total (measured from the date of the Qualifying Event) in the event the individual is disabled as determined by the Social Security laws within 60 days of the Qualifying Event. The individual must provide evidence to the Plan Administrator of such Social Security determination prior to the earlier of 60 days after the date of the Social Security determination, or the expiration of the initial 18 months of COBRA continuation coverage. In such event, the Employer may charge the individual up to 150% of the COBRA cost of the coverage.

## ARTICLE 11 PRIVACY OF MEDICAL INFORMATION

**11.1 Definitions** . For purposes of this Article 11, the following defined terms shall have the meaning assigned to such terms in this subsection:

(1) "Business Associate" shall have the meaning assigned to such phrase at 45 C.F.R. § 160.103;

(2) "Health Care Operations" shall have the meaning assigned to such phrase at 45 C.F.R. § 164.501;

(3) "HIPAA" shall mean Parts 160 ("General Administrative Requirements") and 164 ("Security and Privacy") of Title 45 of the Code of Federal Regulations as such parts are amended from time to time;

(4) "Payment" shall have the meaning assigned to such phrase at 45 C.F.R § 160.103;

(5) "Protected Health Information" or "PHI" shall have the meaning assigned to such phrase at 45 C.F.R. § 160.103; and

(6) "Treatment" shall have the meaning assigned to such phrase at 45 C.F.R. § 164.501.

**11.2 Privacy Provisions Relating to Protected Health Information ("PHI")** . The Plan and its Business Associates shall use and disclose PHI to the extent permitted by, and in accordance with, HIPAA, for purposes of providing benefits under the Plan and for purposes of administering the plan, including, by way of illustration and not by way of limitation, for purposes of Treatment, Payment, and Health Care Operations.

**11.3 Disclosure of De-Identified or Summary Health Information** . The HIPAA Plan, or, with respect to the HIPAA Plan, a health insurance issuer, may disclose summary health information (as that phrase is defined at 45 C.F.R. § 160.5049a)) to the Plan Sponsor of the HIPAA Plan (and its affiliates) if such entity requests such information for the purpose of:

(1) Obtaining premium bids from health plans for providing health insurance coverage under the HIPAA Plan;

(2) Modifying, amending or terminating the group health benefits under the HIPAA Plan.

In addition, the HIPAA Plan or a health insurance insurer with respect to the HIPAA Plan may disclose to the Plan Sponsor of the HIPAA Plan (or its affiliates) information on whether an individual is participating in the group health benefits provided by the HIPAA Plan or is enrolled in, or has ceased enrollment with health insurance offered by the HIPAA Plan.

**11.4 The HIPAA Plan Will Use and Disclose PHI as Required by Law or as Permitted by the Authorization of the Participant or Beneficiary** .

Upon submission of an authorization signed by a Participant, beneficiary, subscriber or personal representative that meets HIPAA requirements, the HIPAA Plan will disclose PHI.

In addition, PHI will be disclosed to the extent permitted or required by law, without the submission of an authorization form.

**11.5 Disclosure of PHI to the Plan Sponsor .** The HIPAA Plan will disclose information to the Plan Sponsor only upon certification from the Plan Sponsor that the HIPAA Plan documents have been amended to incorporate the assurances provided below.

The Plan Sponsor agrees to:

(1) not use or further disclose PHI other than as permitted or required by the HIPAA Plan document or as required by law;

(2) ensure that any affiliates or agents, including a subcontractor, to whom the Plan Sponsor provides PHI received from the HIPAA Plan, agrees to the same restrictions and conditions that apply to the Plan Sponsor with respect to such PHI;

(3) not use or disclose PHI for employment-related actions and decisions unless authorized by the individual to whom the PHI relates;

(4) not use or disclose PHI in connection with any other benefits or employee benefit plan of the Plan Sponsor or its affiliates unless permitted by the Plan or

authorized by an individual to whom the PHI relates;

(5) report to the Plan any PHI use or disclosure that is inconsistent with the uses or disclosures provided for of which it becomes aware;

(6) make PHI available to an individual in accordance with HIPAA's access rules;

(7) make PHI available for amendment and incorporate any amendments to PHI in accordance with HIPAA;

(8) make available the information required to provide an accounting of disclosures;

(9) make internal practices, books and records relating to the use and disclosure of PHI received from the HIPAA Plan available to the Secretary of the United States Department of Health and Human Resources for purposes of determining the Plan's compliance with HIPAA; and

(10) if feasible, return or destroy all PHI received from the HIPAA Plan that the Plan Sponsor still maintains in any form, and retain no copies of such PHI when no longer needed for the purpose for which disclosure was made (or if return or destruction is not feasible, limit further uses and disclosures to those purposes that make the return or destruction infeasible).

**11.6 Separation Between the Plan Sponsor and the HIPAA Plan .** In accordance with HIPAA, only the following employees and Business Associate personnel shall be given access to PHI:

(1) employees of the AT&T Benefits and/or AT&T Executive Compensation organizations responsible for administering group health plan benefits under the HIPAA Plan, including those employees whose functions in the regular course of business include Payment, Health Care Operations or other matters pertaining to the health care programs under a HIPAA Plan;

(2) employees who supervise the work of the employees described in (1), above;

(3) support personnel, including other employees outside of the AT&T Benefits or AT&T Executive Compensation organizations whose duties require them to rule on health plan-related appeals or perform functions concerning the HIPAA Plan;

(4) investigatory personnel to the limited extent that such PHI is necessary to conduct investigations of possible fraud;

(5) outside and in-house legal counsel providing counsel to the HIPAA Plan;

(6) consultants providing advice concerning the administration of the HIPAA Plan; and

(7) the employees of Business Associates charged with providing services to the HIPAA Plan.

The persons identified above shall have access to and use PHI to the extent that such access and use is necessary for the administration of group health benefits under a HIPAA Plan. If these persons do not comply with this Plan document, the Plan Sponsor shall provide a mechanism for resolving issues of noncompliance, including disciplinary sanctions.

**11.7 Enforcement .**

Enforcement of this Article 11 shall be as provided for by HIPAA. In particular, participants and beneficiaries are not authorized to sue with regard to purported breaches of this Article 11 except as explicitly permitted by HIPAA.

## ARTICLE 12 CLAIM AND APPEAL PROCESS

**12.1 Claims for Benefits under the Plan** . – See Appendix B.

**12.2 Claims Related to Basic Eligibility for Coverage under the Plan and Claims Related to the Article 8 Loyalty Conditions .**

( a) Claims. A person who believes that he or she is being denied a benefit to which he or she is entitled under this Plan (hereinafter referred to as a "Claimant") based on a claim for basic eligibility for coverage under the Plan or a claim related to the Article 8 Loyalty Conditions may file a written request for such benefit with the Executive Compensation Administration Department, setting forth his or her claim. The request must be addressed to the AT&T Executive Compensation Administration Department at its then principal place of business.

(b) Claim Decision. Upon receipt of a claim, the AT&T Executive Compensation Administration Department shall review the claim and provide the Claimant with a written notice of its decision within a reasonable period of time, not to exceed ninety (90) days, after the claim is received. If the AT&T Executive Compensation Administration Department determines that special circumstances require an extension of time beyond the initial ninety (90)- day claim review period, the AT&T Executive Compensation Administration Department shall notify the Claimant in writing within the initial ninety (90)-day period and explain the special circumstances that require the extension and state the date by which the AT&T Executive Compensation Administration Department expects to render its decision on the claim. If this notice is provided, the AT&T Executive Compensation Administration Department may take up to an additional ninety (90) days (for a total of one hundred eighty (180) days after receipt of the claim) to render its decision on the claim.

If the claim is denied by the AT&T Executive Compensation Administration Department, in whole or in part, the AT&T Executive Compensation Administration Department shall provide a written decision using language calculated to be understood by the Claimant and setting forth: (i) the specific reason or reasons for such denial; (ii) specific references to pertinent provisions of this Plan on which such denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or such information is necessary; (iv) a description of the Plan's procedures for review of denied claims and the steps to be taken if the Claimant wishes to submit the claim for review; (v) the time limits for requesting a review of a denied claim under this section and for conducting the review under this section ; and (vi) a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA if the claim is denied following review under this section.

(c) Request for Review. Within sixty (60) days after the receipt by the Claimant of the written decision on the claim provided for in this section, the Claimant may request in writing that the Plan Administrator review the determination of the AT&T Executive Compensation Administration Department. Such request must be addressed to the Plan Administrator at the address provided in the written decision regarding the claim. To assist the Claimant in deciding whether to request a review of a denied claim or in preparing a request for review of a denied claim, a Claimant shall be provided, upon written request to the Plan Administrator and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim. The Claimant or his or her duly authorized representative may, but need not, submit a statement of the issues and comments in writing, as well as other documents, records or other information relating to the claim for consideration by the Committee. If the Claimant does not request a review by the Plan Administrator of the AT&T Executive Compensation Administration Department's decision within such sixty (60)-day period, the Claimant shall be barred and estopped from challenging the determination of the AT&T Executive Compensation Administration Department.

(d) Review of Decision. Within sixty (60) days after the Plan Administrator's receipt of a request for review, the Plan Administrator will review the decision of the AT&T Executive Compensation Administration Department. If the Plan Administrator determines that special circumstances require an extension of time beyond the initial sixty (60)-day review period, the Plan Administrator shall notify the Claimant in writing within the initial sixty (60)-day period and explain the special circumstances that require the extension and state the date by which the Plan Administrator expects to render its decision on the review of the claim. If this notice is provided, the Plan Administrator may take up to an additional sixty (60) days (for a total of one hundred twenty (120) days after receipt of the request for review) to render its decision on the review of the claim.

During its review of the claim, the Plan Administrator shall:

(1) Take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial review of the claim conducted pursuant to this section;

(2) Follow reasonable procedures to verify that its benefit determination is made in accordance with the applicable Plan documents; and

(3) Follow reasonable procedures to ensure that the applicable Plan provisions are applied to the Participant to whom the claim relates in a manner consistent with how such provisions have been applied to other similarly-situated Participants.

After considering all materials presented by the Claimant, the Plan Administrator will render a decision, written in a manner designed to be understood by the Claimant. If the Plan Administrator denies the claim on review, the written decision will include (i) the specific reasons for the decision; (ii) specific references to the pertinent provisions of this Plan on which the decision is based; (iii) a statement that the Claimant is entitled to receive, upon request to the Plan Administrator and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim; and (iv) a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

In any case, a Participant or Beneficiary may have further rights under ERISA. The Plan provisions require that Participants or Beneficiary pursue all claim and appeal rights described in this section before they seek any other legal recourse regarding claims for benefits.

Appendix A

AT&T Health Plan

Monthly Contributions, Annual Deductible, Coinsurance Percentages and
Annual Out-of-Pocket Maximum

| Participant/Coverage | Categories | 2012 Plan Year |
|---|---|---|
| | | |
| Active Participants | Monthly Contributions | Individual - $51<br>Individual +1 - $51<br>Individual +2 or more - $104 |
| | Annual Deductible | Individual - $1,200<br>Individual + 1 - $2,400<br>Individual +2 or more - $2,400 |
| | Coinsurance Percentage | 10% (After Annual Deductible is met, Coinsurance applies until Annual Out-of-Pocket Maximum is reached.)* |
| | Annual Out-of-Pocket Maximum | Individual - $4,125<br>Individual +1 - $6,188<br>Individual +2 or more - $8,250 |
| Retired Participants | Monthly Contributions | Plan Year 2012 |
| | Retired Prior to August 31, 1992 and Surviving Spouses | $102 |
| | Retired on or after September 1, 1992 and Surviving Spouses** | Class A Individual: $437<br>Class A Individual +1: $449<br>Class A Individual +2 or more: $449<br>Class B Individual: $530<br>Class B Individual +1: $550<br>Class B Individual +2 or more: $550<br>Class C Individual: $542<br>Class C Individual +1: $687<br>Class C Individual +2 or more: $693<br>Class D Individual: $542<br>Class D Individual +1: $1,058<br>Class D Individual +2 or more: $1,102 |

Monthly Contributions for COBRA Continuation Coverage

| Participant/Coverage | Monthly Contribution |
|---|---|
| | |
| Active COBRA | Individual - $505<br>Individual + 1 - $986<br>Individual +2 or more - $1,416 |
| Retiree COBRA | Individual - $553<br>Individual +1 - $1,079<br>Individual +2 or more - $1,549 |

*For prescription pharmacy services, the Coinsurance shall equal the lesser of (i) the Coinsurance Percentage multiplied by the amount of the Covered Health Services or (ii) the amount payable by the Participant for such services under the Basic Plan.
**The Plan Administrator shall maintain records governing whether a Retired Participant is in Class A, B, C or D.

Appendix B

Claims Procedure Applicable to Claims for Benefits under the Plan

## Claim for Benefits Procedures

You, your covered dependents or a duly authorized person has the right under ERISA and the Plan to file a written claim for benefits under the Plan. The following describes the procedures used by the Plan to process claims for benefits, along with your rights and responsibilities. These procedures were designed to comply with the rules of the Department of Labor (DOL) concerning claims for Benefits. It is important that you follow these procedures to make sure that you receive full benefits under the Plan.

The Plan is an ERISA plan, and you may file suit in federal court if you are denied benefits you believe are due you under the Plan. However, you must complete the full claims and appeal process offered under the Plan before filing a lawsuit.

***Filing a Claim for Benefits***
When filing a claim for benefits, you should file the claim with the Claims Administrator. The Claims Administrator is the third party to whom claims and appeal responsibility has been delegated as permitted under Section 9.1 of the Plan.

The following are not considered claims for benefits under the Plan:

- A claim related to basic eligibility for coverage under the Plan (See Section 12.2 of the Plan).
- A claim related to the Loyalty Conditions contained in Article 8 of the Plan (See Section 12.2 of the Plan).

*Claim Filing Limits*
A request for payment of benefits must be submitted within one year after the date of service or the date the prescription was provided.

*Required Information*
When you request payment of benefits from the Plan, you must provide certain information as requested by the Claims Administrator.

*Benefit Determinations*
*Post-Service Claims*
Post-service claims are those claims that are filed for payment of benefits after medical care has been received. If your post-service claim is denied, you will receive a written notice from the Claims Administrator within 30 days of receipt of the claim, as long as all needed information identified above and any other information that the Claims Administrator may request in connection with services rendered to you was provided with the claim. The Claims Administrator will notify you within this 30-day period if additional information is needed to process the Claim and may request a one-time extension not longer than 15 days and pend your Claim until all information is received.

Once notified of the extension, you then have 45 days to provide this information. If all of the needed information is received within the 45-day time frame and the claim is denied, the claims Administrator will notify you of the denial within 15 days after the information is received. If you don't provide the needed information within the 45-day period, your claim will be denied.

A denial notice will explain the reason for denial, refer to the part of the Plan on which the denial is based, and provide the claim appeal procedures.

*Pre-Service Claims*
Pre-service claims are those claims that require notification or approval prior to receiving medical care or require notification within a specified time period after service begins as required under the Plan provisions. If your claim is a pre-service claim and is submitted properly with all needed information, you will receive written notice of the claim decision from the Claims Administrator within 15 days of receipt of the claim. If you file a pre-service claim improperly, the Claims Administrator will notify you of the improper filing and how to correct it within five days after the pre-service claim is received. If additional information is needed to process the pre-service claim, the Claims Administrator will notify you of the information needed within 15 days after the claim was received and may request a one-time extension not longer than 15 days and pend your claim until all information is received. Once notified of the extension, you then have 45 days to provide this information. If all of the needed information is received within the 45-day time frame, the Claims Administrator will notify you of the determination within 15 days after the information is received. If you don't provide the needed information within the 45-day period, your claim will be denied. A denial notice will explain the reason for denial, refer to the part of the Plan on which the denial is based, and provide the claim appeal procedures.

*Urgent Care Claims That Require Immediate Action*
Urgent care claims are those claims that require notification or approval prior to receiving medical care in which a delay in treatment could seriously jeopardize your life or health or the ability to regain maximum function or, in the opinion of a physician with knowledge of your medical condition, could cause severe pain. In these situations:

- You will receive notice of the benefit determination in writing or electronically within 72 hours after the Claims Administrator receives all necessary information, taking into account the seriousness of your condition.
- Notice of denial may be oral with a written or electronic confirmation to follow within three days.

If you filed an urgent claim improperly, the Claims Administrator will notify you of the improper filing and how to correct it within 24 hours after the urgent claim was received. If additional information is needed to process the claim, the Claims Administrator will notify you of the information needed within 24 hours after the claim was received. You then have 48 hours to provide the requested information.

You will be notified of a determination no later than 48 hours after either:

- The Claims Administrator's receipt of the requested information.
- The end of the 48-hour period within which you were to provide the additional information, if the information is not received within that time.

A denial notice will explain the reason for denial, refer to the part of the Plan on which the denial is based, and provide the claim appeal procedures.

*Concurrent Care Claims*
If an ongoing course of treatment was previously approved for a specific period of time or number of treatments, and your request to extend the treatment is an urgent care claim as defined above, your request will be decided within 24 hours, provided your request is made at least 24 hours prior to the end of the approved treatment. The Claims Administrator will make a determination on your request for the extended treatment within 24 hours from receipt of your request.

If your request for extended treatment is not made at least 24 hours prior to the end of the approved treatment, the request will be treated as an urgent care claim and decided according

to the time frames described above. If an ongoing course of treatment was previously approved for a specific period of time or number of treatments, and you request to extend treatment in a non-urgent circumstance, your request will be considered a new claim and decided according to post-service or pre-service timeframes, whichever applies.

## How to Appeal a Claim Decision

If you disagree with a pre-service or post-service claim determination after following the above steps, you can contact the applicable Claims Administrator in writing to formally request an appeal. Your first appeal request must be submitted to the Claims Administrator within 180 days after you receive the Claim denial.

## Appeal Process

A qualified individual who was not involved in the decision being appealed will be appointed to decide the appeal. The Claims Administrator may consult with, or seek the participation of, medical experts as part of the appeal resolution process. You must consent to this referral and the sharing of pertinent medical claim information. Upon written request and free of charge you have the right to reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

## Appeals Determinations

***Pre-Service and Post-Service Claim Appeals***
You will be provided written or electronic notification of the decision on your appeal as follows:

- For appeals of pre-service claims, the first-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 15 days from receipt of a request for appeal of a denied Claim. The second-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 15 days from receipt of a request for review of the first-level appeal decision.
- For appeals of post-service claims, the first-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 30 days from receipt of a request for appeal of a denied claim. The second-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 30 days from receipt of a request for review of the first-level appeal decision.
- For procedures associated with urgent Claims, refer to the following "Urgent Claim Appeals That Require Immediate Action" section.
- If you are not satisfied with the first-level appeal decision of the Claims Administrator, you have the right to request a second-level appeal from the Claims Administrator. Your second level appeal request must be submitted to the Claims Administrator in writing within 60 days from receipt of the first-level appeal decision.
- For pre-service and post-service claim appeals, the Plan Administrator has delegated to the Claims Administrator the exclusive right to interpret and administer the provisions of the Plan. The Claims Administrator's decisions are conclusive and binding.

Please note that the Claims Administrator's decision is based only on whether or not benefits are available under the Plan for the proposed treatment or procedure. The determination as to whether the pending health service is necessary or appropriate is between you and your physician.

## Urgent Claim Appeals That Require Immediate Action

Your appeal may require immediate action if a delay in treatment could significantly increase the risk to your health or the ability to regain maximum function or cause severe pain.

In these urgent situations, the appeal does not need to be submitted in writing. You or your physician should call the Claims Administrator as soon as possible. The Claims Administrator will provide you with a written or electronic determination within 72 hours following receipt by the Claims Administrator of your request for review of the determination taking into account the seriousness of your condition.

For urgent claim appeals, the Plan Administrator has delegated to the applicable Claims Administrator the exclusive right to interpret and administer the provisions of the Plan. The Claims Administrator's decisions are conclusive and binding.

**In any case, a Participant or Beneficiary may have further rights under ERISA. The Plan provisions require that Participants or Beneficiary pursue and exhaust all claim and appeal rights described in this section before they seek any other legal recourse regarding claims for benefits.**

APPENDIX C

DISCLOSURE OF GRANDFATHERED STATUS

MODEL NOTICE

AT&T, as plan sponsor, believes this Plan is a "grandfathered health plan" under the Patient Protection and Affordable Care Act (the "Affordable Care Act"). As permitted by the Affordable Care Act, a grandfathered health plan can preserve certain basic health coverage that was already in effect when that law was enacted. Being a grandfathered health plan means that the plan may not include certain consumer protections of the Affordable Care Act that apply to other plans, for example, the requirement for the provision of preventive health services without any cost sharing. However, grandfathered health plans must comply with certain other consumer protections of the Affordable Care Act, for example, the elimination of lifetime limits on benefits.

Questions regarding which protections apply and which protections do not apply to a grandfathered health plan and what might cause a plan to change from grandfathered health plan status can be directed to the plan administrator at P.O. Box 30558, Salt Lake City, Utah 84130-0558 . You may also contact the Employee Benefits Security Administration, U.S. Department of labor at 1-866-444-3272 or www.dol.gov/ebsa/healthreform . This website has a table summarizing which protections do and do not apply to grandfathered health plans.

# AT&T

## Management Relocation
## Plan A

November 18, 2005

Presented by

Altair Global Relocation

November 18, 2005

Dear Relocating Employee:

Altair Global Relocation, contracted by AT&T, is ready to assist you at every stage of the move to your new location. Experienced relocation professionals look forward to helping you and your family accomplish the change smoothly, and we encourage you to contact them at your earliest opportunity.

This plan document outlines the various relocation benefits available and the way in which Altair Global Relocation can assist you. Please read it carefully. Keep in mind, however, that this document is designed as a supplement, not a substitute, to consultation with Altair Global Relocation.

Please feel free to call upon your Relocation Consultant and the other staff members for assistance whenever questions or problems arise in connection with your move.

Sincerely,

Gail Plummer

President and Chief Executive Officer

**PROPRIETARY**
**Not for use or disclosure outside AT&T except under written agreement**

**Statement of Philosophy**

AT&T and its Participating Subsidiaries recognize that the relocation of managers to meet organizational requirements is a part of doing business. This Plan is intended to provide fair and equitable treatment to minimize the impact of the move on employees and their families.

We believe that maintaining a program of high quality, communicating relocation benefits clearly and consistently, and encouraging and providing counseling, benefits the AT&T companies by allowing employees to regain maximum productivity in the shortest possible time. This plan contains very specific plan components. No substitutions or alterations of the benefits will be allowed.

We further believe that as employees of AT&T or its Participating Subsidiaries, relocating managers have a responsibility to utilize company funds in a manner consistent with the **Code ofBusiness Conduct** , which clearly states:

**"When spending company money or personal money that will be reimbursed, the employee involved should make sure his or her company receives proper value in return."**

Employees found in violation of the Code of Business Conduct will be subject to disciplinary action up to and including termination of employment.

**The cost and structure of this plan have been developed with specific components which are not intended to be substituted, altered or modified in any way.**

**General**

Provisions of the Management Relocation Plan for AT&T and participating subsidiaries/affiliates are provided herein. Questions about this material should be directed to a consultant at Altair Global Relocation who can provide further explanation and clarification.

This is a reference only and is not a contract. AT&T reserves the right to change, alter, modify, or delete any provisions of the Plan at any time, with or without prior notice. Such changes will be authorized by the Senior Vice President - Human Resources.

**Plan Objectives**

- To provide fair and equitable treatment for employees relocated within and between Subsidiaries.
- To facilitate acceptance of company initiated relocations.
- To be supportive of the employee and his/her family by providing guidance and counseling through experienced relocation professionals.

**Eligibility Requirements**

- Transferee must be a full-time management employee.
- Transfer is company initiated (this plan does not apply to employees transferring at their own request).

NOTE: Employees who accept a job through the Career Path process will not be eligible for the provisions of the Relocation Plan if the hiring manager has indicated that no relocation benefits are associated with the job.

- The commute from the old residence to the new place of work must be at least 50 miles farther than the commute from the old residence to the old place of work.

- Property must be marketed with a real estate broker, approved by Altair Global Relocation, for at least sixty (60) of the one hundred twenty (120) days allowed under the Home Sale Options of this Plan (see Section 2, Page 5).

Once eligibility has been determined, the move must be completed within one year of the effective date of the transfer. **All expenses related to the move must be incurred within that time period in order to receive reimbursement.**

Please Note: Any costs incurred as a result of an employee's decision to relocate are subject to repayment in the event he/she fails to report to work or terminates their employment within twelve (12) months from the report date in the new location. (See Section 12, Page 2).

**Employee Responsibility**

- Be familiar with this Management Relocation Plan, participate in counseling and/or other programs designed to help manage the relocation efficiently.

- Contact Altair Global Relocation for referral to real estate agents in connection with the purchase and/or sale of a residence (unless purchasing a residence that is for sale by owner). **It is required that these agents be utilized in order for the employee to be eligible for the home sale and home purchase features of this plan.**

**Department Responsibility**

To initiate a relocation, it is the responsibility of the employee's receiving department to contact Altair Global Relocation to receive an AT&T Relocation Initiation Form. The form is completed and forwarded to Altair Global Relocation before any relocation expenses can be incurred on behalf of the employee. A copy of the Relocation Plan is available on the AT&T Intranet, or can be sent to you by your Altair Global Relocation Consultant.

Normally, the receiving organization or department bears all incurred costs associated with the relocation of an employee.

**Authorization of Relocation Expenses**

All relocation expenses will be paid by Altair Global Relocation with approval based on employee's relocation policy and submission of appropriate transmittal form.

**NOTE: COMPANY SPONSORED PURCHASE CREDIT CARDS MAY NOT BE USED FOR RELOCATION EXPENSES.**

If a personal car is used for transportation, the number of miles is reimbursed at the Company approved mileage rate.

Relocation Consultants will prepare Lump Sum Allowances for interim living, pre-move house hunting trips and day(s) of move. (See Section 7.)

The Miscellaneous Moving Allowance will also be paid by the Relocation Consultant. (See Section 8.)

**Section 2**
**Home Sale Program**

This Plan offers various options with regard to the marketing and sale of the residences of eligible employees. The AT&T companies have a contractual agreement with Altair Global Relocation to handle sales of eligible residences. Altair Global Relocation will assign a broker who will provide high quality real estate assistance at both the origin and destination. **It is required that these agents be utilized in order for the employee to be eligible for the home sale and home purchase features of this Plan.** The options available are explained in this section.

Home sale assistance has proven to increase the likelihood of the employee receiving and acting upon a bona fide private offer for his/her home. Altair Global Relocation provides comprehensive counseling and support in the following areas:

- Provide assistance in selecting a qualified broker to list the home. The employee will be offered at least two (2) brokers from which to choose in a large metropolitan area. Employee preferences for brokerage companies will be considered.
- Provide objective criteria to be used in establishing "asking price."
- Provide tips to maximize the value of the employee's home.
- Establish a marketing strategy best suited for the particular area and type of property, in coordination with the employee and the employee's agent.

**Eligible Employees**

An eligible employee is a regular full-time management or acting management employee who is in either a management or non-management position in one city and relocated to a management position in another city at company request. **Employee initiated transfers are not covered under thisPlan.**

**Eligible Properties**

Eligibility is limited to homes which meet all of the following criteria:

- The residence is a one- or two-family home, townhouse or condominium.
- The employee is the sole owner, owns the property jointly.
- The home is the employee's primary residence on the effective date of the transfer and the employee is currently living there.
- The employee holds good and marketable title to the property, free from liens and encumbrances (any expense incurred to eliminate or establish trusts, grants, or other title situations or to clear liens or encumbrances, will be the responsibility of the employee).
- The residence is in good and marketable condition.
- The employee knows of no hidden or latent defects for which he/she might later be held responsible.

**Ineligible Properties**

Certain properties are not eligible for home sale assistance under the Plan. They are:

- Properties housing more than two (2) families.
- Cooperative apartments.
- Residences which require an association's approval of purchaser.
- Any residence which is involved in current and/or pending litigation.
- Property with material defects (i.e., composite-type siding, etc.).
- Homes with Synthetic Stucco
- Income-producing properties.
- Homes with hazardous substances (i.e., toxic and/or pathogenic mold, radon, asbestos, etc.).
- Mobile homes (the company will move mobile homes to the new location in lieu of purchase or will reimburse closing costs under Option 3 of the Plan).

NOTE: Lots are covered only if mobile home and lot are sold together.

- Properties not conforming to local regulations and/or which do not qualify for a certificate of occupancy.
- Seasonal Residences.
- Properties or parts of properties used or acquired for speculative purposes.
- Farms, ranches, or homes located, on properties in excess of five (5) acres.
- Undeveloped lots and/or homes under construction or renovation.

**Appraisal / Valuation Process**

It is important that you understand that AT&T is not in the real estate business. We have no interest in purchasing the homes of our employees or re-selling them. Our goal is to provide an alternative for employees who cannot sell their homes in a reasonable period of time. Therefore, the appraisers are asked to objectively evaluate your home in order to estimate the most-probable selling price after reasonable market exposure (see Section 2, Pg. 3). This definition of value differs from a bank or mortgage appraisal, and may also differ from what a specific buyer might be willing to pay for your home when it is first exposed to the market. **The primary intent of the home sale program is to help you locate a buyer.** If that is not possible, AT&T provides the Guaranteed Value Offer to purchase your home at a price that should enable us to resell it within a reasonable amount of time.

Altair Global Relocation shall arrange for establishment of a Guaranteed Value based on the "most probable selling price," in "as is" condition, which is the base value guaranteed to the employee should he/she fail to obtain a buyer for the property.

The most probable selling price is defined as:

The price at which a property would most probably sell if exposed to the market for a reasonable period of time in "as is" condition, where payment is made in cash or its equivalent. For purposes of establishing value, "as is" condition is defined as the cosmetic condition of the property at the time of appraisal.

NOTE: Exposure to the market for a reasonable period of time is defined as up to one hundred twenty (120) days.

The Guaranteed Value will be determined as follows:

- The average of two (2) independent appraisals will be the Guaranteed Value, provided the difference between the two (2) appraisal values does not exceed five (5) percent of the highest value.
- In cases where the difference between the two appraisal values exceeds five (5) percent, a third (3rd) appraisal will be ordered. In this case, the Guaranteed Value will be the average of the two (2) highest appraisals.
- The Guaranteed Value is contingent upon the results of any customary and required inspections. Please Note: Altair Global Relocation has a legal responsibility to disclose any defects or subsequent bids for repair discovered as a result of all inspections. Repairs identified by subsequent buyer inspections must also be disclosed.
- Repairs identified through any inspections are the **responsibility of the employee** . Repairs **must** be completed before equity is released or the cost of repairs may be deducted from the employee's final equity. Repairs are subject to reinspection.
- Should problems be identified through subsequent inspections by potential buyers, the employee will be required to perform additional repairs.

In the process of appraising the employee's home the appraisers will review comparable sales selected from the multiple listing or similar directory. Employees are encouraged to provide appraisers with a list of recent comparable sales.

**NOTE: For comparison purposes only, two Broker Market Analyses (BMAs) are routinely ordered by Altair Global Relocation.**

**Homeowner Disclosure Statement**

This Plan requires the use of a Homeowner Disclosure Statement as part of the marketing process. Most states currently make the seller liable for not disclosing any material defect known to the seller but not obvious to the buyer. It is essential for the employee, as seller, to disclose all such defects in or on the property, whether the buyer is Altair Global Relocation or a private individual. Employees will be held responsible for such defects whether or not they are disclosed.

Your Relocation Consultant will provide you with the appropriate Altair Global Relocation disclosure form. Any disclosure forms required by state of locality will be supplied by your real estate agent.

The Homeowner's Disclosure Statement is designed to:

- Assure that the appraisers do not overlook a defective condition or system.
  Provide justification to conduct further investigation or order a detailed inspection.
- Serve as a medium for ordering repairs or disclosing defects to potential buyers.
- Comply with all known and pending legal requirements for disclosure by the seller to the buyer.

NOTE: Release of a check for advance distribution of equity will be contingent upon the receipt of a signed Homeowner's Disclosure Statement.

**ANY EMPLOYEE WHO MAKES FRAUDULENT REPRESENTATIONS AND/OR ACTIONS WILL BE SUBJECT TO DISCIPLINARY ACTION UP TO AND INCLUDING TERMINATION OF EMPLOYMENT.**

**Listing Agreement Exclusion Clause**

When an employee lists with a broker, a "Listing Exclusion Clause" **must be signed** to avoid payment of a broker's commission and allow cancellation of a listing agreement should the employee accept the Guaranteed Value.

The listing agreement must include the following provisions:

"This listing agreement is subject to the following provisions. It is understood and agreed regardless of whether or not an offer is presented by a ready, willing and able Buyer(s):

No commission or compensation shall be earned, or be due and payable to Broker until the sale of the property has been consummated between Seller(s) and Buyer(s), the Deed delivered to the Buyer(s) and the purchase price delivered to the Seller(s); and

The Seller(s) reserve the right to sell the Property to Altair Global Relocation, or any other person(s) designated by Altair Global Relocation, (individually and collectively a "Named Prospective Purchaser") at any time. Upon the execution by a Named Prospective Purchaser and me/us of an Agreement of Sale with respect to the Property, this listing shall immediately terminate without obligation on my/our part or on the part of any Named Prospective Purchaser to either pay a commission or to continue this listing agreement."

**Home Sale Options**

There are three (3) home sale options available to employees. They are:

**Option 1: Amended Value Sale (Please refer to the Contract of Sale for terms and conditions of Amended Value Sale).**

An Amended Value Sale occurs when the employee works with the Relocation Consultant and real estate agent to sell the residence to a qualified buyer under the Amended Value Sale provision of this Plan.

**Offer Period:** The employee will have a period of one hundred twenty (120) days from the date of the Guaranteed Value Offer letter to market the property. The first sixty (60) days is mandatory. The employee is responsible for all taxes, utilities, insurance, maintenance, principle and interest on the mortgage during the marketing period until amended value close or vacate date, whichever is later.

If a bona fide offer is secured on the home from a buyer, Altair Global Relocation will process the contract under the Amended Value Sale process.

**The employee is required to notify the Relocation Consultant of all offers received on his/her home.**

IRS rulings are very strict about benefits received under this process. Therefore, in order to receive the tax advantages an Amended Value process provides, and receive the bonus,

**certain procedures MUST be followed.** They are:

- Should the real estate agent present an offer to you, **DO NOT VERBALLY ACCEPT. DO NOT TAKE ANY MONEY FROM THE BROKER OR PROSPECTIVE PURCHASER, OR SIGN ANY DOCUMENT WHICH WOULD CONSTITUTE ACCEPTANCE.**
- Call your Relocation Consultant as soon as possible and provide him/her with the details of the offer. The Relocation Consultant will promptly negotiate with the real estate agent and verify if the offer made is bona fide.
- The Relocation Consultant will request the employee to execute the Altair Global Relocation Contract of Sale and return it to Altair Global Relocation.
- Upon receipt of the Sale Contract, Altair Global Relocation will review the Contract to verify all terms and conditions are in the employee's best interest. Altair Global Relocation will sign the Sale Contract and return it to the buyers.
- Altair Global Relocation will process the Sale Contract, work through the inspection contingency, and verify the buyers are financially qualified to purchase the property. Altair Global Relocation will then execute the Contract of Sale with the employee at the net sale price of the Sale Contract (purchase price less all concessions which are the employee's responsibility). This process takes approximately 2 - 3 weeks.
- Altair Global Relocation will enter into a listing agreement with the broker and prepare to accept possession upon employee vacating the premises.
- Altair Global Relocation will close the sale with the buyer.

**Employee Responsibility:** The employee will be responsible for payment of any negotiated closing costs typically paid by the Buyer, e.g., concessions made to the buyer for repairs, financing points, etc. **Reimbursable Expenses** are listed in Section 2, Page 8.

The employee has one hundred twenty (120) days from the date of the Guaranteed Value Letter to present a bona fide contract.

**Proration Date/Equity Calculation:** The employee will be responsible for insurance, taxes, utilities, maintenance, principle and interest on the mortgage, through the date Altair Global Relocation accepts the contract or the date the employee vacates the property, whichever is later. Your final equity will be calculated based on whichever value is higher, your guaranteed value or your amended value. **It is the employee's responsibility to collect any escrow balance from the mortgage company.**

**Home Sale Bonus:** A bonus will be awarded to an employee who, within the one hundred twenty (120) day offer period, obtains a private contract equal to or greater than 96% of the Guaranteed Value Offer. The bonus will be stated as **2 (two)percent of the sale price,** and the maximum bonus paid will be $25,000.

If the contract is ninety-five (95) percent up to but not including ninety-six (96) percent of the Guaranteed Value, the employee will not receive a bonus but will receive the Guaranteed Value.
The bonus is paid when the sale is amended.

**The cash bonus is considered fully taxable income, and is not grossed-up for tax purposes. Taxes will be withheld at the applicable Federal and State supplemental tax rates, and the applicable local tax rate. Social Security and Medicare tax rates will also be withheld at the applicable rates before issuing the bonus check.**

**Advance of Equity:** It is the intent of this Plan to allow for advance distribution of home equity to the employee prior to electing Option 1 or 2 **when the equity is required to guarantee a contract on a home in the new location.** Prior to any advancement of equity, you must forward a copy of your destination purchase agreement to your Relocation Consultant.

The following guidelines are applicable:

- The advance is up to ninety-five (95) percent of the equity as determined by the Guaranteed Value. Additionally, charges for interest, taxes and insurance will be pro-rated from the date of your last mortgage payment through your anticipated acceptance date. It is the employee's responsibility to collect any escrow balance from the mortgage company.
- Only the amount needed to qualify for the new residence will be advanced.
- The employee will sign a promissory note agreeing that within the one-hundred-twenty-(120) day Offer Period he/she will:

    - Accept the Guaranteed Value offer, or
    - Provide a bona fide contract for the Amended Value Sale, or
    - Pay back the equity advance in full

**The employee is required to leave the property in clean and livable condition. Any charges for hauling or excessive clean up will be charged to the employee.**

**Equity advances will be provided under the Home Sale Assistance Program Options 1 or 2 ONLY.**

The employee must notify his/her Relocation Consultant at Altair Global Relocation of any potential buyers before accepting Option 2.

NOTE: If the transferred employee is considered an Executive Officer under the Sarbanes-Oxley Act, he/she will not be eligible for any equity prior to the final contract with Altair Global Relocation.

NOTE: All expenses associated with the Amended Value are the company's responsibility. None of these expenses are required to be reported as earnings on your W-2. Altair Global Relocation is unable to provide personal tax advice. Please contact your tax advisor or obtain IRS Form 2119, Sale of Your Home and IRS Publication 523, Selling Your Home.

**Option 2: Guaranteed Value Sale (Please refer to the Contract of Sale for terms and conditions of the Guaranteed Value Sale).**

A Guaranteed Value Sale occurs when the employee works with the Relocation Consultant and real estate agent to sell the residence but is unable to secure a contract and accepts the Guaranteed Value Offer.

**Offer Period:** The employee will have a period of one hundred twenty (120) days from the date of the Guaranteed Value Offer Letter to market their property. Sixty (60) days of that time period is mandatory. During that time the employee is responsible for all taxes, utilities, insurance, maintenance, principle and interest on the mortgage until sale of the property to Altair Global Relocation or vacate date, whichever is later.

**The employee is required to notify the Relocation Consultant of all offers received on his/her home.**

**Acceptance of Guaranteed Offer:** After the employee has satisfied the mandatory sixty (60) day marketing eligibility requirement, or is at the end of the one hundred twenty (120) day marketing period, he/she may accept the Guaranteed Value Offer. **Failure to act (i.e., forward the appropriate documents contained in the Offer Package, as directed) by the end of this one hundred twenty (120) day period will result in an automatic expiration of the Guaranteed Value.**

**Proration Date:** The employee will be responsible for insurance, taxes, utilities, maintenance, principle and interest on the mortgage through the date of acceptance of the Guaranteed

Value or the date the property is vacated, whichever is later. These items will be deducted from the equity and the employee will be credited for any escrow balance.

**Possession Period:** The employee will be given thirty (30) days from acceptance to vacate the property.

**Items Included in the Purchase Price:** Altair Global Relocation's purchase price includes, but is not limited to, all fixtures, appurtenances, and built-in items usually considered to be part of residential properties such as blinds, window shades, awnings, window screens, storm and sash screens, storm or combination doors, curtain and drapery fixtures, electric and lighting fixtures, yard lights, fixed gas barbecue grills, T. V. antennas, electric garage door openers, and installed wall-to-wall carpeting.

**Option 3: Unassisted Sale**

The employee chooses to sell the property without benefit of company assistance and is reimbursed for customary closing costs.

This option provides for the reimbursement of certain expenses involved in the sale of a residence when an employee lists, sells and closes a contract independent of Altair Global Relocation. The employee may choose this option for personal reasons or as a result of owning property which does not qualify for other options outlined in this Plan (e.g., a mobile home with land, a cooperative or a house with hazardous substances). The employee will be reimbursed for most normal and customary closing costs associated with this sale. The home, however, must be sold and reimbursable expenses incurred within one (1) year following the effective date of the relocation.

The amount of reimbursement of customary closing costs is fully taxable income and is not grossed up for tax purposes. Taxes will be withheld at the applicable Federal and State supplemental tax rates and the applicable local tax rate. Social Security and Medicare will also be withheld at the applicable rates before issuing the check.

**Reimbursable Closing Expenses (applies to options 1 & 3)**

- Documentary Stamps.
- Legal Fees
- Licensed Broker's Selling Commission not to exceed 6% (anything higher must be approved in advance by the Altair Global Relocation Consultant).
- Survey Charges.
- Termite Inspection Fees (where applicable).
- Title Fees (where applicable).
- Transfer Taxes.

NOTE: In certain areas it is customary for the seller to provide title insurance on the property being sold. If this is required, the employee is eligible for reimbursement.

**Non Reimbursable Expenses (applies to options 1 & 3)**

- Closing costs normally charged to the buyer.
  Discount points used to obtain financing for the buyer.
- Expenses related to selling seasonal residences, income producing property or undeveloped lots.
- Service Fees charged by Real Estate brokers.
- Mortgage Pre-Payment Penalties.
- Any cost to obtain clear title.

**Section 3**
**Capital Loss Program**

Under the provisions of this Program, reimbursement is available for **documented** capital loss of original purchase price of employee's home. The Plan does not provide for reimbursement of any special financing or other concessions (see Section 3, Page 2). The Plan does not cover all losses incurred, but provides assistance should it become necessary.

**To be eligible for reimbursement under the Capital Loss Program, the property:**

- Must meet the eligibility requirements of the Home Sale Provision of this Plan.
  Must have sold through one of the Home Sale Assistance Programs. (Options 1 and 2 only).

**Reimbursement under this program is according to the following guidelines:**

- Original Purchase Price must be verified on the two-page settlement statement. (HUD-1).
- Deductions will be made for special financing or other concessions, (i.e., seller paid discount points).
  Capital improvements are not eligible for reimbursement.

**If You Have a Capital Loss**

If you incur a capital loss due to your relocation, contact your Relocation Consultant who will review the documents required to support your request for reimbursement. Those required documents are:

- Real estate contract indicating the original sales price when the home was purchased
  Settlement statement on the home (HUD-1)

NOTE: Unless proper documentation is available, Capital Loss will not be eligible for reimbursement.

**REQUEST FOR CAPITAL LOSS REIMBURSEMENT**

Name: _____ Title: _____

Department: _____ New Location (City/State): _____

Contact Phone No: _____ _____

Effective Date: _____

Property Address: _____

Date of Purchase: _____ Date of Sale: _____ Date Vacated: _____

Capital Loss Computation

| | | |
|---|---|---|
| 1. | Contract Purchase Price | $ _____ |
| 2. | Deductions - (Concessions, Special Financing, etc., i.e., Seller paid discount points) | $ _____ |
| 3. | Purchase Price (Line 1 minus Line 2) | $ _____ |
| 4. | Total Purchase Price | $ _____ |
| 5. | Sale Price (Guaranteed Value or Private Offer, whichever is higher) | $ _____ |
| 6. | Capital Loss (Line 5 minus Line 6) | $ _____ |

Correct
Employee: _____
Date: _____
Title

Reviewed
Relocation Consultant: _____
Date: _____
Title

**Section 4**
**Home Purchase/Rental Program Overview**

**Home Buyers**

In order to qualify for reimbursement of allowable home purchase costs, employee must be under contract within six (6) months following the effective payroll change date of his/her move. Assistance is provided in finding a home in the new location as quickly and economically as possible. **Employees must utilize a Real Estate Broker qualified by Altair Global Relocation to be eligible for the Home Purchase Benefits of this Plan. The Real Estate Broker will provide a qualified, experienced sales agent who will:**

- Familiarize the employee with the new location.
  Review the types of housing available in the area.
- Discuss special needs and interests of the employee and family.
- § Discuss commute times to and from the office.
  Assist in determining price range of homes.
- Pre-screen homes in the employee's price range.

It is recommended that the Guaranteed Value Offer be established prior to contracting topurchase a new home. The employee should contact the broker as soon as possible to schedule the house hunting trip(s). Discussing the above information before house hunting will enhance productivity of the trips.

NOTE: This Plan does not provide for reimbursement of fees for Buyer's Agents. Such commissions/fees should be paid by the seller.

**Discounted Inventory Homes**

Discounted inventory homes may be available in "as is" condition for ninety-four (94) percent of the appraisal value. To qualify, the employee must contact his/her Relocation Consultant.

**Renters**

In order to assist employees who intend to rent or lease a home or apartment in the new location, this Plan provides for the payment of a finder's fee to locate a suitable home in the new area. This provision is limited to a maximum of $250 (receipts required), and **does not apply to interim living rentals** . It is applicable only in areas where this charge is typical, i.e., New York City; Washington, D.C.

**Section 5**
**Mortgage Financing Program/Closing Costs**

Altair Global Relocation has arrangements with a number of national lenders to provide mortgage financing for the purchase of a residence at the new location, where such a purchase is made within six (6) months following the effective date of your payroll change.

Altair Global Relocation will wire the funds for covered buyer's closing expenses directly to the title company handling the closing. Therefore, the employee only has to provide funds at closing for expenses that are not covered under the provisions of the Plan.

**Covered Closing Expenses**

Reasonable, customary and non-recurring buyer's closing costs may include the following:

- Credit Report.
  Document Preparation Fee.
- Escrow Fee/Settlement Closing Fee.
- Homeowner's Association Transfer Fee.
- Lender's Appraisal Fee.
- Loan Origination Fee, Points, or Mortgage Broker Fee not to exceed one (1) percent. (Gross-up for federal and state income tax not provided).
- Typical Inspections including termite, structural, mechanical and radon.
- Real Estate Transfer Tax.
- Recording Fee.
- Title Fees (except in states where it is customary for sellers to pay).
- Lender Required Survey.

Altair Global Relocation will coordinate with the title company to expedite the wiring of covered closing costs. However, should it be necessary to seek direct reimbursement from Altair Global Relocation, the following must be submitted:

- Original Settlement Statement, usually the HUD-1.
  Receipts for any closing-related service or inspections not itemized on the closing statement.

**Non Reimbursable Expenses**

The following expenses, and any other expenses not standard for the area, are not reimbursable under the provisions of this program:

- Assessments.
  Buyer's Agency Fees (Use of Buyer's Agents is encouraged, but all commissions must be paid by the seller).
- Commitment Fee (if separate from Loan Origination Fee).
- Duplicate Construction Loan Costs.
- Interest.
- Mortgage Discount Points (in excess of 1% Loan Origination Fee, Points or Mortgage Broker Fee).
- Mortgage Insurance.
- Taxes.
- Utility Adjustments.
- Mortgage Pre-Payment Penalties.
- Costs typically paid by the seller.

**Section 6**
**Lease Settlement**

**Lease Settlement**

Renters who are moving due to a change in work location must notify landlords in writing that they will be vacating. Timetables should be set according to the terms set forth in lease agreements.

Reasonable costs associated with breaking a lease will be reimbursed. They include:

- Lease cancellation fees.
- Untenanted rent upon vacate.
  Forfeited security deposits.
-

Landlord charges for cleaning or damages to the premises, beyond normal wear and tear, are not reimbursable.

The following supporting documentation must be provided to the Relocation Consultant:

- Copy of the lease.
- Letter from landlord documenting expenses owed.
- Copy of check or receipt.

NOTE: The maximum reimbursement for lease settlement is equivalent to two (2) months' rent.

**Section 7**
**Interim Living/Day(s) of Move**
and Transportation Expenses

**Lump Sum Allowance**

This Plan provides a lump sum allowance to cover expenses for pre-move house hunting trips, interim living and day(s) of move. The Lump Sum Allowance is prepared by your Relocation Consultant and is based on whether you rent or own at your old location and the total number of relocating dependents.

Included in the lump sum are allowances for:

- House hunting trips which are based on whether you are a renter or homeowner. House hunting provides for lodging, meals, and transportation for the employee and one other relocating dependent.
- Interim living which provides for lodging, meals, and transportation for trips home for employee only.
- Meals and lodging expenses during day(s)-of-move for employee and all relocating dependents.

NOTE: If the employee already owns a home in the destination city, and that home will be the employee's primary place of residence, the lump sum will not include pre-move house hunting. Interim living, provisions will be adjusted accordingly.

**Tax Implications**

The lump sum allowance is fully taxable and subject to gross-up tax assistance. See Section 11.

**Documentation of actual expenses incurred and covered by the lump sum allowance is not a requirement; however, it is recommended that the employee keep accurate records throughout the relocation for income tax purposes.**

**Day(s) of Move**

This Plan provides for reimbursement of actual expenses for transportation cost only to destination location for employee and relocating dependents during day(s)-of-move (receipts required).

AT&T will pay for transporting a total of two (2) automobiles per household, if they are operational and have a current registration. Employee may drive one (1) or both vehicles to the new residence and be reimbursed mileage at the current authorized rate. (See Transporting Your Automobiles, Section 10, Page 2.)

NOTE: AT&T will not reimburse employee for frequent flyer miles, other travel coupons and/or incentives used for day-of-move travel.

**Tax Implications**

A portion of reimbursed mileage is excluded from compensation, and a portion is considered taxable compensation under current IRS guidelines. The amount included in compensation is subject to gross-up tax assistance. (See Section 11.)

**Trailing Spouse**

If an employee has a spouse who is also a company employee, that "trailing spouse" is eligible for meals for the number of days actually spent in temporary quarters at the new location within the corresponding interim living period of the primary relocating employee. This does not include weekends. These expenses will be reimbursed at the end of the move (receipts required).

NOTE: Unless otherwise specified, it is assumed that the organization of the primary relocating employee will bear the expenses of the trailing spouse.

**Tax Implications**

Interim living expenses reimbursed to the trailing spouse are fully taxable and subject to gross-up tax assistance. (See Section 11.)

**Section 8**
**Miscellaneous Moving Allowance**

The Miscellaneous Moving Allowance will be calculated by your Relocation Consultant. It is provided to cover certain moving expenses not included under the other provisions of the Plan. These expenses include, but are not limited to:

- Utility service connection charge, including any applicable telephone connection charge.
  Removal or installation of articles secured to the premises or plumbing, electrical, or carpentry services necessary.
- Installation cost of telephone service, connection charge, move or change charge.
- Piano tuning.
- Driver's and car license reissues, registration, and applicable sales tax.
- Deposits, dues, etc. for clubs, private schools, health clubs, safe deposit boxes, etc.
- Transportation of live plants.
- Disassembly and reassembly of recreational or custom accessories (e.g., swing set, wall units, pool tables, etc.).
- Child care.
- Cleaning of former and new residence, yard maintenance, trash removal, etc.
- Notary Fees.
- Cab/limousine fares and tolls.
- Fees charged by airlines to change previously ticketed flights.
- Unrefunded or unexpired deposits, dues, etc.
- Local transportation to and from work and parking.
- Local transportation for house hunting.
- Alteration, replacement, and installation cost of floor covering, drapes, and window accessories.
- Expenses incurred in connection with animals such as shipment of pets and horses, charges for license fees for pets, kennel fees, and other associated expenses.
- Exterminating and fumigating.
- Loss on unused frozen foods, fuel, fireplace wood, animal feed and unused building materials such as lumber, bricks, and flagstone. The cost of moving these items is prohibitive relative to value.
- Outside services for excessive or unusual moving needs (hiring a forklift or crane, etc.).
- Unexpired insurance (residence, automobile, or household appliances).
- Tips to movers.
- Appraisals of art or antiques for insurance claims.

**In the event that the transferred employee and the trailing spouse are both employed by AT&T or a subsidiary thereof, and both the employees are transferred simultaneously, the allowance will be calculated on the higher base salary.**

NOTE: The employee should keep a record of all money spent for expenses in the above since some of these expenses may be deductible on the employee's tax return together with other expenses defined as deductible. Employee should consult IRS Publication 521, Moving Expenses.

**Tax Implications**

The miscellaneous moving allowance is considered taxable compensation, and is not eligible for gross-up tax assistance. Taxes will be withheld at the applicable Federal and State supplemental rates and the applicable local tax rate. Social Security and Medicare taxes will also be withheld at the applicable rates before issuing the check.

**Section 9**
**Spousal/Partner Career Assistance**

AT&T provides Spousal/Partner Career Assistance for job-seeking spouses/partners of employees who accept relocation assignments. Services may be initiated for the spouse/partner after relocation has been approved and initiated for the transferring employee.

**Program Components**

This benefit is designed to help spouses/partners with successful career/job transitions in a new community. Following a personal needs assessment telephone call, a customized program is designed and delivered which may include: assessment and profiling, resume development, targeting of potential job sources/employers/recruiters and/or networking contacts, job search communications guidance/training, assistance in interviewing, follow-up and salary negotiation.

Program components may also include exploration and assessment for those considering career changes, help for the spouse/partner pursing an executive career track or entrepreneurial ventures, and specific program tracks for teachers, health care professionals, administrative personnel and other professions.

The spouse/partner career consulting services provided through this benefit do not guarantee employment. However, services provided do help spouses/partners seek employment and enable them to understand the responsibilities and actions needed to obtain re-employment in a new location.

**Eligibility**

The spouse/partner is eligible to initiate services for up to six (6) months from the effective date of your payroll change. Any employee/spouse/partner interested in this provision must contact his/her Relocation Consultant during this time period.

**Tax Implications**

Fees for services provided by Vandover are paid by AT&T and are considered taxable compensation to the relocating employee. Spousal/Partner Career Assistance is subject to gross-up tax assistance. (See Section 11.)

**Section 10**
**Movement and Insurance of Household Goods**

**Movement of Household Goods**

AT&T has contracts with van lines offering substantial discounts to handle the movement of household goods.

This provision covers payment for the transportation of household goods and personal belongings located in the employee's primary residence in the departure city as of the date of initiation into the relocation program to the primary residence in the destination city. Coverage includes:

- Packing
  Loading
- Unloading
- Transportation
- Storage (maximum of sixty (60) days)
- Insurance
- Crating (only if authorized by AT&T)

Upon selection of a carrier, the Relocation Consultant will prepare a Purchase Order and forward a copy to the carrier.

**Packing and loading dates should be arranged between the employee and the mover with every attempt made to provide these services on the dates requested. However, keep in mind that Altair Global Relocation cannot authorize the additional cost of weekend or holiday service.**

Employees must be at the old residence when the movers arrive to pack and at the new home when goods are delivered. Insurance will be provided on a replacement value basis, subject to limitations (see Insurance on Shipment of Household Goods in this section).

Should goods be lost or damaged, documents of ownership and the value of the specific items claimed will be required (please refer to Insurance on Shipment of Household Goods for details regarding insurance and claims).

**Moving costs are paid directly to the mover.**

**Storage**

This Plan allows payment for a maximum of sixty (60) days of storage in a warehouse facility provided by the mover (climate control storage is not included). No exceptions will be made for employees who choose to build in the new location. Temporary storage of household goods to accommodate plans for vacation or side trips en route to employee's new home, initial fix-up of the new home, or to delay mortgage payments will NOT be authorized. However, if employee elects to store longer than sixty (60) days, at his/her expense, insurance coverage will continue until household goods are delivered out.

NOTE: Motorized vehicles and boats are not authorized for storage.

**Delivery of Household Goods**

Upon delivery of goods to the new residence, all items should be closely inspected for damage and loss. The number and condition of items should coincide with the inventory sheet prepared at origin. Note all discrepancies on the driver's and employee's inventory sheets, such as "missing", "broken", "scratched", etc., and have the van line representative sign employee's copy.

If loss or damage does occur, please refer to Insurance on Shipment of Household Goods in this section for claim handling procedures.

When unloading and unpacking is completed, the driver will ask the employee to sign the bill of lading and inventory sheets to certify receipt of services, including any unpacking. At this time, any damage or loss to goods should be noted. If certain services were not performed by the carrier, make a specific notation in the appropriate column on the bill of lading and request the driver to verify by signing.

It is recommended that all containers which the carrier did not unpack be inspected within forty eight (48) hours and checked for concealed damage.

**Tax Implications**

In accordance with current IRS regulations, the amount paid by the Company to or on behalf of the employee associated with the movement of household goods and storage of household goods up to 30 days is excludable from income and not reportable on Form W-2. Therefore, no gross-up is necessary for these expenses. Storage of household goods in excess of 30 days up to 60 days is taxable compensation to the employee and is eligible for gross-up tax assistance. See Section 11.

**Transporting Your Automobiles**

AT&T will pay for transporting a total of two (2) automobiles per household, if they are operational and have a current registration. Employee may drive one (1) or both vehicles to the new residence and be reimbursed mileage at the current Company authorized rate. (See Day(s) of Move, Section 7, Page 1.)

NOTE: One (1) car may be pre-shipped, on an overflow basis, separate from your household goods.

**Services NOT Authorized**

The following services are not paid for separately but are provided for in the miscellaneous moving allowance (see Section 8). These services may include, but are not limited to:

- Disassembly/Assembly - play gyms, sheds, T.V./radio antennas, swing sets, exercise equipment, computer desks, entertainment centers, pool tables, chandeliers, above ground swimming pools, flagpoles, etc. Such items may be transported if they are disassembled prior to packing. If movers assemble or disassemble any unusual items, employees will be required to pay the mover directly.
  Servicing grandfather clocks.
- Establishing Services - installing power, water/gas lines, etc.
- Parts and/or labor required for appliance disconnect/reconnect will be at the employee's expense.
- Assembly or hook up of electronic equipment such as stereos, VCRs, TVs, computers, etc.
- Excess Insurance Charges – beyond the "all risk" insurance coverage (i.e., flood, fire, and civil disturbance) provided by the Company while goods are in storage or transit.
- Exclusive use of moving van or space reservation.
- Unauthorized extra pickups or deliveries. (Any charges associated with an extra stop are the transferee's responsibility.)
- Unauthorized overtime packing and unpacking.
- Unauthorized crating.
- Packing and/or movement of household goods from attics and/or crawl spaces.

**Items NOT Authorized for Transportation**

The following is a list of items for which AT&T will **not** authorize transportation. Movement of:

- Wine Collections.
  Art Collections (in excess of $5,000).
- More than two (2) automobiles.
- More than two (2) motorcycles or small two (2)- or four (4)-wheel recreational vehicles.
- Spas/Hot Tubs.
- Live plants, shrubs or trees.
- Firewood or construction material.
- Animals.
- Frozen/perishable foods.
- Aircraft.
- Liquids in unsafe containers/flammable liquids.
- Valuable papers/jewelry, photographs, personal video tapes, etc.
- Tractors/farm equipment larger than normally required for yard and garden maintenance.
- Any goods/materials prohibited by law.
- Campers and motor homes.
- Satellite dishes.
- Boats in excess of twenty-six (26) feet.
- Collectibles, including but not limited to coins, stamps and trading cards.
- Propane/Butane tanks.

**Just Before the Movers Arrive**

- Separate and mark items clearly (such as luggage and garage door openers) that will not be sent by the mover.
- Leave in place any breakables to be packed by movers.
- Move items to be packed and/or transferred from attic to main area of home.
- Arrange for storage at destination if new home will not be ready when household goods arrive.
- Check:
  - Clothes at cleaners
  - Shoes at repair shop
  - Sports equipment in locker
- Close and lock all windows and doors.
- Defrost refrigerator or freezer at least thirty-six (36) hours in advance. Clean and wipe them thoroughly dry. Movers will not accept mold stains as transit damage.
  - Disassemble items employee is responsible for, unless prior arrangements have been made with the movers.

**Insurance for Shipment of Household Goods**

Transported property is insured at replacement value against loss and/or damage from any external cause, including strikes, riots and civil commotions.

**Only those items which are packed and/or stored by the moving company are covered by insurance.**

Employees are automatically insured against all physical loss or damage for replacement value of up to $150,000.00 while the items are in transit or storage, subject to limitations. **In the event the value of an employee's personal effects exceeds $150,000, the employee should make their own arrangements for extra insurance coverage using their miscellaneous moving allowance.**

If you have personal insurance, check with your insurance agent for additional insurance of your personal property while it is being moved. It is prudent to keep this coverage in force throughout your move, until you have obtained permanent insurance at your new location. Employees should consider purchasing insurance for their antiques, other collectibles and/or collections, as they are not covered under this Plan.

Covered items and limitations include:

- Automobiles and trailers are covered **only** while in the custody of the moving company or while being driven between the employee's residence and the shipping point. Boats up to twenty-six (26) feet in length.
- Jewelry and furs up to $50 for each item, not to exceed $500 for a single claim.
- Fine art and antiques up to $5,000 per shipment.

Items **not** covered under this Plan include, but are not limited to:

- Bills, credit cards, currency, deeds, evidence of debt, money, notes, securities, bullion, collectibles. Any item not shipped under this Plan.
- Live plants, animals, and perishable foodstuffs.
- Automobiles and trailers, while being driven over the highway, except while being driven by the mover's agent from the residence of the employee to the shipping point of the common carrier and vice versa.

Employees should determine that they have adequate insurance to cover the above items to the extent not covered by company-provided insurance, as well as coverage for items moved in the employee's personal car. Such coverage may or may not be provided for in a homeowner's-type policy. Employee should contact his/her insurance agent to be certain.

The employee is expected to be present during the loading of household goods to make sure possessions are fully inventoried. Articles left in drawers cannot be counted in the inventory.

When goods arrive at the new home, inspect them and note any exceptions on the carrier's copy of the bill of lading or inventory.

NOTE: Be certain that important or valuable papers or documents of any kind, stamp collections, monies, jewelry or valuable furs are **not** included in the shipment by van. This is extremely important because neither the mover, the insurance company, nor AT&T will accept liability for these items.

AT&T contracts with an independent firm for the processing of insurance claims related to damage incurred to personal property during the movement of employee's household goods and personal belongings.

Employees should contact the Relocation Consultant for assistance in initiating a claim. **Claims for insurance must be filed with UNIRISC within six months of delivery to final residence.** Claim forms are available on the AT&T intranet.

Should it become necessary to file a claim for loss or damage, inspect all items, noting the damage and/or loss on the carrier's copy of the bill of lading and add to the notation, "Subject to Further Inspection." Make sure the driver signs the bill of lading. Employees must keep a copy of the bill of lading and inventory sheets. Information from these documents is required to process the claim.

NOTE It is the employee's responsibility to establish proof of ownership and value to the carrier in case of loss or damage. The costs associated with this, such as obtaining appraisals of antiques or works of art, are covered by the Miscellaneous Moving Allowance. Appraisals obtained by the employee for insurance purposes may be sufficient.

## Section 11
## Tax Aspects of Relocation

**Introduction**

This section addresses the tax consequences of a company-initiated relocation and defines the tax "gross-up" method.

**Tax Implications Overview**

Most reimbursements for relocation expenses, whether paid to the employee as a direct reimbursement or paid to another on his/her behalf, are earned taxable income to the employee. An exception to this rule is that certain reimbursements are excluded from income as follows:

- Reimbursements related to the shipment of household goods and the first thirty (30) days of storage.
- Reimbursements related to travel and lodging at the time of the move.

**Tax Gross-Up Method**

Under the gross-up method, an allowance is computed according to established guidelines to cover the anticipated tax on reimbursements (and the subsequent tax on tax reimbursement). Payment of this allowance will be made directly to the Federal, State, and local Governments (where applicable) on behalf of the employee. The Company has determined that the gross-up will be calculated using the applicable Federal and State supplemental tax rates, and the applicable local tax rate. Social Security and Medicare tax rates will also be utilized.

The termination or resignation of a relocated employee in the same year that relocation benefits were allowed does not eliminate the tax obligation by the employee's company. Gross-up payments will be made regardless.

**Employee Responsibility**

Gross-up tax assistance calculated on behalf of each employee is designed to meet the withholding obligation of the applicable taxing authority. The gross-up tax assistance calculated is not meant to meet all tax obligations of the employee.

In the event the gross-up tax assistance does not cover an employee's tax liability, the employee is responsible for any additional tax. The gross-up tax assistance is not subject to appeal by the employee.

**Altair Global Relocation Responsibility**

When form W-2 Wage and Tax Statement is issued, the payroll office or Altair Global Relocation will provide the employee with a Summary of Relocation Expenses for the year.

**NOTE: Because of the complexities of income tax laws, Altair Global Relocation, AT&T, etc., will not assume responsibility or become involved with regard to the employee's income tax reporting, filing or calculation. It is, therefore, recommended that employee(s) seek professional advice and assistance in this matter; however, charges for such assistance are not reimbursable.**

**Section 12**
**Relocation Repayment Agreement**

The attached Repayment Agreement must be signed by the relocating employee and transmitted to Altair Global Relocation before any relocation payments can be disbursed.

**RELOCATION REPAYMENT REIMBURSEMENT AGREEMENT**

I, _____, have accepted a position with _____(name of company or subsidiary "Company") which involves relocation, and may result in payment by Company of costs and tax allowances to me or to third parties on my behalf, under the terms of the AT&T Relocation Plan (the "Plan"). These costs may include, but are not limited to, service fees paid to the vendor for administration of the terms of the plan, household moving expenses, appraisal fees, etc., ("Relocation Expenses"). The Company or my relocation assistance vendor will provide me with a statement detailing all Relocation Expenses within a reasonable time after such expenses have been fully identified.

In consideration of Company incurring such Relocation Expenses, I agree to repay Company such Relocation Expenses in full in the event that I cancel my acceptance of the job cited above and do not report to work in the new location, or if I decide not to work for the Company or sever my employment with the Company for any reason within my control within twelve (12) months from the date such Relocation Expenses were last incurred.

To cover repayment of the Relocation Expenses, I authorize Company to deduct up to half of my final paycheck or any other monies Company owes to me, if any. If any such deduction is insufficient to cover repayment of the Relocation Expenses, I agree to repay the balance to Company within 30 days of the date I decide not to work for Company or terminate my employment with Company.

I understand that I will be solely responsible for any tax consequences arising from any reimbursement I may be required to make to the Company as a result of this Agreement.

This Agreement in no way constitutes or implies, nor shall it be construed as constituting or implying, any guarantee or contract of employment. I understand that my eligibility for relocation benefits is controlled by the terms of the Plan. This Agreement cannot be changed or modified except in writing, signed by me and an authorized representative of the Company. I understand that any oral or written representations about this subject which are not contained in this Agreement are no longer effective. I have entered into this Agreement freely, knowingly and voluntarily.

I UNDERSTAND AND ACKNOWLEDGE THAT MY EXECUTION OF THIS RELOCATION EXPENSE REIMBURSEMENT AGREEMENT IS A CONDITION OF MY ELIGIBILITY FOR BENEFITS UNDER THE AT&T RELOCATION PLAN.

_____ _____
Signature Social Security Number

_____ _____
Print Name Date

**Helpful Hints**

During the rush and stress of moving, it is easy to forget small but important details. Following is a checklist for your use in keeping track of some of the more common items. This list is not meant to be all-inclusive.

| CATEGORY | ACTION | DONE |
|---|---|---|
| Insurance | Check homeowner's policy to determine coverage if home is left vacant.<br>Notify all agents (life, fire, car, health, etc.) of the impending move.<br>Be sure family medical/dental/life plans are in force in the new location. | |
| Banking | Close out savings and checking accounts.<br>Notify banks where to send final account statements.<br>Remove valuables from safe deposit boxes or have the bank forward them to the new location by registered or insured mail.<br>Notify finance companies, stores, or any other current lenders of the new address.<br>Arrange for sufficient cash or traveler's checks to cover expenses until new banking arrangements can be made.<br>Cancel automatic drafts on mortgage loan. | |
| Change of Address Notification | File a change of address card with the post office one week before leaving.<br>Send change of address cards to magazine or newspapers. | |
| AT&T Benefits | Check with Supervisor or Benefit Office on change of medical, dental, etc. benefits | |
| Records | Arrange for transfer of the following records:<br>▪ Legal papers (check with attorney to see if current will is valid in new state)<br>▪ Bank/savings and loan<br>▪ Doctors and dentists (including prescriptions for glasses and/or medicines, records of inoculations and allergies, dates of last physical examination)<br>▪ Church<br>▪ Fraternal organizations<br>▪ Animal (pets)<br>▪ School transcripts<br>▪ Birth certificates<br>▪ Tax records | |
| Records (continued) | Be sure to take copies of:<br>▪ Marriage license<br>▪ Real estate settlement statements | |
| Taxes | Be sure state and city taxes are current | |
| Keys | Surrender house keys and garage door opener to the new owner or agent | |
| Miscellaneous | Take along a copy of old phone directories (they may come in handy) | |

| SERVICES TO BE DISCONTINUED | DATE |
|---|---|
| Telephone Company (deposit refund?) | |
| Electric Company (deposit refund?) | |
| Water Company (deposit refund?) | |
| Gas Company (deposit refund?) | |
| Fuel Oil Company (have them measure the remaining oil) | |
| Home Deliveries (milk, newspapers) | |
| Laundry and Dry Cleaning services | |
| Garbage Collection | |
| Diaper Services | |
| Lawn / Pool Services | |
| Pest Control Services | |
| Alarm Services | |
| Cable and / or Internet Services | |
| Leased Services (i.e. satellite dishes, furniture, water softeners, etc.) | |

In choosing Options 1 or 2 of the Home Sale Assistance Program and requesting final readings on all utilities, instruct these companies to mail the final bill to the new address. Notify Altair Global Relocation of the date of your final utility readings so that they can arrange for continuation of services.

**Important Contacts and Telephone Numbers**

During relocation, numerous telephone numbers will become vital. Following is a list of the numbers employees will use most often. Also included are spaces for the names and numbers of relocation consultants, realtors, van lines, etc., after they are assigned.

| | |
|---|---|
| **Altair Global Relocation** | **877.290.8500** |
| **Vandover** | **314.576.0010** |
| | **800.822.7345** |

Van Line Company:
Phone:

Relocation Consultant:
Phone:

Realtor (old location):
Phone:

Realtor (new location):
Phone:

Lender (new location):
Phone:

Insurance Company:

Phone:

**Employee Assistance Counseling**

A major career move can be overwhelming in many ways. AT&T offers an Employee Assistance Program (EAP) to assist the employee and his/her family in managing this transition.

The EAP counselors provide confidential, professional counseling to employees who may find themselves experiencing personal difficulties during or after the move.

EAP counseling services include:

- Marital or family counseling.
  Work-related concerns.
- Interpersonal difficulties.
- Personal growth and development issues.
- Alcohol or drug abuse.

All records and activities are maintained in strict confidence in accordance with medical ethics and state laws. If an employee needs assistance, he/she should contact an EAP counselor directly at 1.800.554.6701.

**AT&T Inc.**
**Retirement Plan for Non-Employee Directors**

Effective February 1, 1986

**Preamble**

The Retirement Plan for Non-Employee Directors (the "Retirement Plan") provides retirement benefits to certain Directors of AT&T Inc. (the "Corporation") whose right to payment hereunder is not guaranteed. All rights, hereunder shall be governed by and construed in accordance with the laws of Missouri.

**Administration**

The Retirement Plan shall be administered by the Officer of the Corporation ("Plan Administrator") as may be designated by the Chief Executive Officer. The Plan Administrator may delegate any or all duties hereunder to other individuals. The Plan Administrator's decisions regarding the interpretation and application of the Retirement Plan shall be binding on all parties.

**Eligibility**

An individual who has never been employed by the Corporation or any of its subsidiaries, who began service as a Director of the Corporation on or before November 21, 1997, who terminates service as a Director of the Corporation on or after February 1, 1986, and who served as a Director of the Corporation ("Board Service") for five years or more shall be eligible to receive benefits under the Retirement Plan (a "Participant"). For the purpose of determining eligibility hereunder, service as a Director of Southwestern Bell Telephone Company prior to January 1, 1984, shall be considered Board Service hereunder.

Directors of companies acquired by the Corporation, directly or indirectly, pursuant to a merger, consolidation, acquisition or otherwise who are appointed to the Corporation's Board pursuant to the agreement providing for such transaction, or any amendments thereof, or any related agreements, shall not be eligible to participate in the Retirement Plan, unless otherwise provided by the Human Resources Committee of the Board.

**Benefit Amount**

Participants shall receive an annual benefit equal to 10% of the annual retainer for Board Service (exclusive of retainers for Board committees or meeting fees) in effect upon termination of Board Service for each complete year of Board Service, with a maximum annual benefit of 100% of the applicable annual retainer.

Unless a Participant terminates Board Service at or after age 70, benefits under the Retirement Plan shall be actuarially reduced for each month the initial payment date precedes the Participant's attaining age 70; provided, however, that there shall be no reduction in benefits if payments commence prior to age 70 if a Participant terminated Board Service (a) on account of a permanent and total disability in accordance with the definition of Section 22(e)(3) of the Internal Revenue Code or any successor provision, or (b) upon the expiration of the final term of Board Service for which the Participant was of age to stand for election.

**Manner and Term of Payments**

Benefit payments shall commence on the first day of the first calendar quarter following a Participant's termination of Board Service and shall be paid quarterly thereafter for the longer of the life of the Participant or the 10-year period commencing on the date of the first payment and ending on the day next preceding the tenth anniversary of such date (Life with 10-Year Certain Benefit). If a Participant who is receiving a Life with 10-Year Certain Benefit dies prior to the expiration of the 10-year period described above, the Participant's Beneficiary shall be entitled to receive the remaining Life with 10-Year Certain Benefit installments which would have been paid to the Participant had the Participant survived for the entire 10-year period. Each benefit payment shall be one-quarter of the Participant's annual benefit net of applicable withholding taxes if any.

If an individual with five years or more of Board Service dies while still serving as a Director, a pre-retirement death benefit will be calculated and paid as though the individual had retired on the date of death, except that no actuarial reduction shall apply if the individual dies before attaining age 70.

No right or interest in the Retirement Plan or to Retirement Plan benefits shall be assignable or transferable or shall be subject to any lien, obligation or liability of any Participant.

**Term of Retirement Plan**

The Retirement Plan shall remain in effect until terminated by the AT&T Inc. Board of Directors, which may amend the Retirement Plan from time to time.

Revised: November 18, 2005 - Name Change

**Form of Director and Officer**

**Indemnity Agreement**

**AGREEMENT,** effective as of July 1, 1986, between Southwestern Bell Corporation, a Delaware corporation (the "Company"), and separately with each Director and Officer of the Company (the "Indemnitee").

**WHEREAS,** Indemnitee is a director or officer of the Company;

**WHEREAS,** both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

**WHEREAS,** basic protection against undue risk of personal liability of directors and officers heretofore has, in part, been provided through insurance coverage providing reasonable protection at a reasonable cost, and Indemnitee has relied on the availability of such coverage; but as a result of substantial changes in the marketplace for such insurance, it has become increasingly more difficult to obtain such insurance on terms providing reasonable protection at a reasonable cost;

**WHEREAS,** the Bylaws of the Company require the Company to indemnify and advance expenses to its directors and officers to the full extent permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such Bylaws;

**WHEREAS,** Section 145(f) of the Delaware General Corporation law expressly recognizes that the indemnification provisions of the Delaware Corporation law are not exclusive of any other rights to which a person seeking indemnification may be entitled by bylaw, agreement, vote of stockholders or otherwise, and this Agreement is being entered into pursuant to such provision;

**WHEREAS,** in recognition of Indemnitee's need for substantial protection against personal liability in order to assure Indemnitee's continued service to the Company in an effective manner and Indemnitee's reliance on the aforesaid Bylaws, and in part to provide Indemnitee with specific contractual assurance that the protection promised by such Bylaws will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such Bylaws or any change in the composition of the Company's Board of Directors or acquisition of the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the full extent (whether partial or complete) permitted by law and as set forth in this Agreement and, to the extent an outside insurance policy/policies is/are maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

**WHEREAS,** while this Agreement will be of full force and effect immediately upon its execution, the Board of Directors intends to place this Agreement before the Shareowners at the next Annual Meeting for ratification;

**NOW, THEREFORE,** in consideration of the foregoing premises and of Indemnitee continuing to serve the Company directly or, at its request, with another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

***1.0 CERTAIN DEFINITIONS.***

***(a) Change in Control:*** shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the Shareowners of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 20 % or more of the total voting power represented by the Company's then outstanding voting securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's Shareowners was approved by a vote of at least two-thirds (⅔) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the Shareowners of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the Shareowners of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

***(b) Claim:*** is any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether conducted by or on behalf of the Company or any other party, that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other.

***(c) Expenses:*** include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in any Claim relating to any Indemnifiable Event.

***(d) Indemnifiable Event:*** is any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership or joint venture.

***(e) Losses:*** are any judgments, fines and amounts paid in settlement (including all interest assessments and other charges paid or payable in connection with or in respect of such judgments, fines, penalties or amounts paid in settlement) of such action, suit or proceeding.

***(f) Reviewing Party:*** shall mean (i) the Board of Directors (provided that a majority of directors are not parties to the claim), (ii) a person or body selected by the Board of Directors and (iii) if there has been a Change in Control, the special, independent counsel referred to in subsection 3(b) hereof.

***2.0 INDEMNIFICATION AND ADVANCEMENT OF EXPENSES.***

Subject to the limitations set forth herein and in Section 3 hereof, the Company hereby agrees to indemnify Indemnitee as follows:

***(a) Basic Indemnification.*** The Company shall hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted (i) by the General Corporation Law of the State of Delaware, or any other applicable law, the Company's Certificate of Incorporation or Bylaws as in effect on the date hereof, or (Ii) by any amendment thereof or other statutory provisions authorizing or permitting such indemnification which is adopted after the date hereof.

***(b) Additional Indemnification.*** Without limiting the generality of subsection (a) hereof, in the event Indemnitee was, is or becomes a Participant in a Claim by reason of (or arising in part out of) an lndemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law, as soon as practicable after written demand is presented to the Company, against any and all Expenses and Losses.

***(c) Advancement of Expenses.*** In the event Indemnitee is, was or becomes a Participant in any Claim by reason of an Indemnifiable Event, if so requested by Indemnitee, the Company shall advance any and all such Expenses to Indemnitee.

**3.0** ***GENERAL LIMITATIONS ON INDEMNIFICATION.***

***(a) Determination of Reviewing Party.*** Notwithstanding the foregoing, (i) the obligations of the Company set forth in Section 2 hereof (except with respect to Expense advances made prior to any determination by a Reviewing Party referred to below that Indemnitee substantively would not be permitted to be indemnified for Claims for Indemnifiable Events with respect to which such advances are being made) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the special, independent counsel referred to in subsection (b) hereof is involved) that Indemnitee would not be permitted to be so indemnified under applicable law, and (ii) if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid (unless Indemnitee has commenced legal proceedings in a court of competent

jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, in which event Indemnitee shall not be required to so reimburse the Company until a final judicial determination is made with respect thereto as to which all rights of appeal therefrom have been exhausted or lapsed) and shall not be obligated to indemnify or advance any additional amounts to Indemnitee (unless there has been a determination by a court of competent jurisdiction that the Indemnitee would be permitted to be so indemnified under applicable law).

If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of Missouri or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an order or judgment by the court equivalent to the determination of the Reviewing Party or challenging any such determination by the Reviewing Party or any aspect thereof; any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

***(b) Change in Control of Company.*** The Company agrees that if there is a Change in Control of the Company, then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and expense advances under this Agreement or any other agreements or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from special, independent counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld), and who has not otherwise performed services for the Company (other than in connection with such matters) or Indemnitee. In the event that Indemnitee and the Company are unable to agree on the selection of the special, independent counsel, such special independent counsel shall be selected by lot from among at least five law firms each in New York City, New York, the State of Delaware and St. Louis, Missouri, having more than fifty attorneys and having a rating of "av" or better in the then current Martindale-Hubbell Law Directory. Such selection shall be made in the presence of Indemnitee (and his legal counsel or either of them, as Indemnitee may elect). Such special, independent counsel, among other things, shall determine whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law and shall render its written opinion to the Company and Indemnitee to such effect.

The Company agrees to pay the reasonable fees of the special, independent counsel referred to above and to fully indemnify such counsel against any and all Expenses and Losses arising out of or relating to this Agreement or its engagement pursuant hereto.

***4.0 INSURANCE.***

***(a) Maintenance of Existing Insurance.*** The Company represents that it presently has in place certain policies of directors' and officers' liability insurance of such insurance companies and in such amounts as set forth in Schedule A attached hereto. Subject only to the provisions within this Section 4, the Company agrees that so long as the Indemnitee shall continue to serve as a director, officer, employee, agent or fiduciary of the Company, or shall continue at the request of the Company to serve as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, and thereafter so long as the Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding or any inquiry or investigation, whether civil, criminal or investigative, arising out of the Indemnitee's tenure as a director, officer, employee, agent or fiduciary of the Company (such periods being hereinafter sometimes referred to as the "Indemnification Period"), the Company will purchase and maintain in effect for the benefit of the Indemnitee one or more valid, binding and enforceable policy or policies of directors' and officers' liability insurance providing, in all respects, coverage both in scope and amount which is no less favorable than that presently provided pursuant to the policies set forth in Schedule A.

***(b) Limitations on Maintenance of Insurance.*** The Company shall not be required to maintain said policy or policies of directors' and officers' liability insurance as set forth in subsection (a) of this Section 4 if such insurance is not reasonably available or if it is in good faith determined by the then directors of the Company either that (i) the premium cost of maintaining such insurance is substantially disproportionate to the amount of coverage provided thereunder or (ii) the protection provided by such insurance is so limited by exclusions, deductions or otherwise that there is insufficient benefit to war-rant the cost of maintaining such insurance policies. Anything in this Agreement to the contrary notwithstanding, to the extent that and for so long as the Company shall choose to continue to maintain any policy or policies of directors' and officers' liability insurance during the Indemnification Period, the Company shall be required to maintain similar and equivalent insurance policies for the benefit of the Indemnitee during the Indemnification Period (whether more or less favorable to Indemnitee than the Company's existing policies).

***(c) Additional Indemnification in Lieu of Insurance.*** In the event (i) the Company shall discontinue any policy or policies of directors' and officers' liability insurance providing the coverages specified in subsection (a) of this Section 4 or limit in any way the coverages provided thereunder either in scope or amount, or (ii) such policies or the coverages provided thereunder become unavailable in whole or in part for any reason, the Company agrees to hold harmless and indemnify the Indemnitee for the remainder of the Indemnification Period to the full extent of the coverage which would otherwise have been provided for the benefit of the Indemnitee had such insurance policies specified in subsection (a) been maintained, unless the Indemnitee is otherwise protected by any insurance coverage maintained by the Company for the benefit of the Indemnitee in which event the indemnity provided by this subsection (c) shall be inapplicable to the extent, but only to the extent, of such coverage.

***5.0 NO MODIFICATION.***

No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

***6.0 SUBROGATION.***

In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

***7.0 REIMBURSEMENT.***

The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Bylaw or otherwise) of the amounts otherwise indemnifiable hereunder.

***8.0 EFFECTIVENESS.***

This Agreement shall be of full force and effect immediately upon its execution; **provided, however,** that the Board of Directors of the Company intends to place this Agreement before the Shareowners of the Company at the next annual meeting of Shareowners for ratification, and if Shareowners of the Company fail to ratify this Agreement at such meeting, the Company shall have the right in its sole discretion to terminate this Agreement. Upon any such termination this Agreement will be of no further force or effect.

***9.0 NOTIFICATION AND DEFENSE OF CLAIM.***

Promptly after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee will, if a Claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof; but the omission so to notify the Company will not relieve it from any liability which it may have to Indemnitee otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Indemnitee notifies the Company of the commencement thereof:

(a) the Company will be entitled to participate therein at its own expense; and

(b) except as otherwise provided below, to the extent that it may wish, the Company jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense thereof, the Company will not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ its counsel in such action, suit or proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized by the Company, (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of the defense of such action or (iii) the Company shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which the Indemnitee shall have made the conclusion provided for in (ii) above.

(c) the Company shall not be liable to indemnify the Indemnitee under this Agreement for any amounts paid in settlement of any action or claim effected without its writ-ten consent. The Company shall not settle any action or claim in any manner which would impose any penalty or limitation on the Indemnitee without the Indemnitee's written consent. Neither the Company nor the Indemnitee will unreasonably withhold their consent to any proposed settlement.

***10.0 NON-EXCLUSIVITY.***

The rights of the Indemnitee hereunder shall not be deemed exclusive of any other rights he may have under the Company's Bylaws or the Delaware General Corporation Law or otherwise, and to the extent that during the Indemnification Period the rights of the then existing directors and officers are more favorable to such directors or officers than the rights currently provided thereunder or under this agreement to Indemnitee, Indemnitee shall be entitled to the full benefits of such more favorable rights.

***11.0 BINDING EFFECT.***

This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs and personal and legal representatives. This Agreement shall continue in effect during the Indemnification Period, regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

***12.0 SEVERABILITY.***

The provisions of this Agreement shall be severable in the event that any provision hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law.

***13.0 GOVERNING LAW.***

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware.

***14.0 ENTIRE AGREEMENT AND TERMINATION.***

This Agreement represents the entire agreement between the parties; and there are no other agreements, contracts or understandings between the parties with respect to the subject matter of this Agreement. No termination or cancellation of this Agreement (except by the Company pursuant to Section 8 hereof) shall be effective unless in writing and signed by both parties hereto.

Executed this day of , 1986.

**SOUTHWESTERN BELL CORPORATION**

By

Zane E. Barnes, Chairman and Chief Executive Officer

By

lndemnitee

Transition Agreement by and between BellSouth Corporation and
Rafael de la Vega dated December 29, 2003

**TRANSITION AGREEMENT**

THIS AGREEMENT is made and entered into this 29 day of December, 2003, by and between BellSouth Corporation, a Georgia corporation ("Company"), and Rafael de la Vega ("Executive") (each, a "Party" and, collectively, the "Parties"):

REASONS FOR THIS AGREEMENT. Executive has been employed by Company and its Affiliated Companies since 1974. During his tenure, Executive has served in a variety of senior capacities and currently serves as Company's President - Latin America Operations with overall responsibility for Company's operations in Argentina, Uruguay, Colombia, Venezuela, Chile, Peru, Ecuador, Panama, Nicaragua and Guatemala.

Executive's previous assignments include having served as Company's President of Broadband and Internet Services with overall responsibility for the deployment, marketing and operations of broadband services, internet services and data support. Prior to that assignment, Executive was responsible for BellSouth Telecommunications, Inc.'s network operations in selected states.

Company and SBC Communications Inc. combined their respective domestic mobile wireless voice and data services businesses in 2000 into the newly-formed entities Cingular Wireless LLC and Cingular Wireless Management Corp. (together with their subsidiary companies, collectively referred to herein as "Cingular"). Company now desires to have Executive join Cingular as its Chief Operating Officer, a move that will require termination of Executive's employment with Company. Through this Agreement, Company desires, in part, to provide certain transition benefits and severance protections to Executive. Executive has agreed to accept this assignment to Cingular and now intends to separate from employment with Company on December 30, 2003, and thereafter to join Cingular.

Executive acknowledges that Company and Affiliated Companies have disclosed or made available and in the future will disclose and make available Confidential Information to Executive, which could be used by Executive to Company's or Affiliated Companies' detriment. Executive further acknowledges that the covenant not to compete and other restrictive covenants in this Agreement are fair and reasonable, that enforcement of the provisions of this Agreement will not cause him undue hardship, and that the provisions of this Agreement are reasonably necessary and commensurate with the need to protect Company and Affiliated Companies and their business interests and property from irreparable harm.

1. RESIGNATION FROM BELLSOUTH. Executive separates and resigns from employment with Company and any position Executive holds with any Affiliated Company effective December 30, 2003.

2. BELLSOUTH SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN.

(a) Executive's transition to Cingular shall not be deemed to trigger a termination of employment with Company for purposes of the BellSouth Corporation Supplemental Executive Retirement Plan ("SERP"). Furthermore, Executive shall not be deemed to have terminated employment for purposes of SERP until such time as Executive's employment with Cingular terminates (or, if Executive leaves Cingular to accept employment without a break in service with another Participating Company, Affiliate or Interchange Company (as such terms are defined in SERP), Executive's employment shall not be deemed to have terminated for purposes of SERP before the earliest date on which Executive is no longer employed by any such entity).

(b) Executive shall continue to participate in SERP for purposes of all benefits provided by SERP and to accrue benefits under SERP for his full period of service with Cingular as if he remained employed by Company. Company shall calculate Executive's SERP benefits by reference to his combined period of service otherwise recognized under SERP plus his period of Cingular service; by reference to compensation paid to Executive by Cingular with respect to his period of service at Cingular; and, to the extent applicable, by reference to compensation paid to him by Company with respect to his period of service with Company and other Affiliated Companies. In addition to offsets provided in SERP, Executive's benefits under SERP shall also be reduced by any benefits payable to him under any one or more tax-qualified or non-qualified defined benefit pension plans, excess plans, make-up plans or supplemental executive retirement plans at Cingular. In determining Executive's SERP benefits accrued while at Cingular, Company shall make such additional adjustments in the administration of SERP and the calculation of Executive's benefits thereunder as shall be necessary and appropriate to take into account Cingular's compensation and employment practices.

3. TERMINATION ALLOWANCE.

(a) In the event Executive's employment with Cingular is terminated under circumstances described in Section 3(b) below, Company shall pay to Executive (or, in the event of Executive's death, to his estate) a termination allowance. The termination allowance shall be an amount equal to the sum of (i) two hundred percent (200%) of Executive's Base Salary in effect on the date of Executive's termination of employment, plus (ii) two hundred percent (200%) of the standard award amount applicable to Executive under his employer's short term bonus plan for the year in which his date of termination occurs, less all applicable withholdings, payable in a single lump sum payment. Payment of the termination allowance shall be made as soon as practicable following Executive's termination of employment under circumstances entitling him to such payment, and satisfaction of all conditions described in this Agreement on Executive's entitlement to such payment. For purposes of this Agreement, "Base Salary" shall refer to the gross annual base salary payable to Executive including (A) the amounts of any before-tax contributions made by Executive from such salary to any tax-qualified cash or deferred arrangement sponsored by his employer, and (B) the amount of any other deferrals of such salary under any nonqualified deferred compensation plan(s) maintained by his employer.

(b) Executive's employment shall be deemed to have been terminated under circumstances described in this Section 3(b) only if:

(i) (A) Executive's employment is terminated either by Cingular other than for Cause, or by Executive for Good Reason; (B) Executive shall within thirty (30) days following such termination of employment have notified Company of his desire to return to Company, and within thirty (30) days following such notification Company shall have failed to offer to Executive employment with Company or a subsidiary or affiliate of Company in a "comparable" position (as defined below); and (C) Executive executes a supplemental release, substantially in the form of the release agreement attached to this Agreement as Exhibit "A" (the "Release Agreement"), which is incorporated herein by this reference;

(ii) Executive's employment is terminated by reason of Executive's Disability, and Executive executes a Release Agreement; or

(iii) Executive's employment is terminated by reason of Executive's death.

For purposes of clause (i) above, a "comparable" position shall mean a position (1) providing Base Salary and a standard or target short term bonus no less than those provided to Executive immediately prior to his termination of employment with Cingular (and disregarding any previous diminution in such amounts which did or would have constituted Good Reason under this Agreement); (2) reporting to Company's Chief Executive Officer; (3) providing types and amounts of other compensation and benefits comparable to those provided to other similarly situated Company officers; and (4) not requiring relocation outside the Atlanta, Georgia, metropolitan area.

4. DISCHARGE AND WAIVER. Executive fully releases and forever discharges Company and Affiliated Companies, and any employee, officer, director, representative, agent, successor or assign of Company and Affiliated Companies (both in their personal and official capacities), and all persons acting by, through and under or in concert with any of them, from any and all claims, demands, causes of action, remedies, obligations, costs and expenses of whatever nature, whether under the common law, state law, federal law (including but not limited to the Age Discrimination in Employment Act of 1967) or otherwise, through the date of this Agreement, including those arising from or in connection with the terms and conditions of employment with Company (and Affiliated Companies). This paragraph is not intended to and shall not affect benefits to which Executive may be entitled under any pension, savings, health, welfare, or other benefit plan in which Executive is a participant.

5. COVENANT NOT TO SUE. Executive covenants and agrees not to make or file any claim, demand or cause of action or seek any remedy of whatever nature, whether

under the common law, state law, federal law or otherwise, arising from or in connection with the matters discharged and waived in Section 4, above. Notwithstanding the foregoing, in the event Executive files a charge or lawsuit under the Age Discrimination in Employment Act of 1967 (ADEA), and thereby challenges the validity of the release described in Section 4, such charge or lawsuit will not be considered a breach of this Section 5.

6. CONFIDENTIAL INFORMATION. Executive agrees to protect Confidential Information from misuse or unauthorized disclosure. In addition to complying with all applicable laws governing trade secret and confidential information disclosure, Executive will not (i) use, except in connection with work for Company or Affiliated Companies, or threaten to use, or (ii) disclose, communicate or give others access to (orally, in writing, electronically or digitally) or threaten to disclose, communicate or give other access to any Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean information, whether generated internally or externally, whether in written, oral, digital, electronic or any other form or format, relating to Company's or Affiliated Companies' businesses that derives economic value, actual or potential, from not being generally known to other Persons and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality, including, but not limited to, studies and analyses, technical or nontechnical data, programs, patterns, compilations, devices, methods, models (including cost and /or pricing models and operating models), techniques, drawings, processes, employee compensation data, and financial data (including marketing information and strategies and personnel data). For purposes of this Agreement, Confidential Information does not include information that is not a trade secret three (3) years after termination of Executive's employment with Company, but shall continue to include trade secrets as long as information remains a trade secret under applicable law. Executive acknowledges that any use of, reliance upon, disclosure or other misappropriation of Confidential Information inconsistent with the terms of this Agreement (including without limitation acceptance by Executive of a position in which the inevitability of such use, reliance, disclosure or misappropriation is reasonably anticipated) would result in material and irreparable damage and injury to Company or Affiliated Companies.

7. LIMITATION ON COMPETITION. In consideration of the additional payments, benefits and other rights that are being provided to Executive under this Agreement, during the one (1) year period following the Effective Date, Executive agrees not to provide any "Services" (as defined in the third paragraph of this Section 7) to any Person that competes directly with Company or any Affiliated Companies, whether Executive provides the Services as an employee, consultant, independent contractor, advisor or director. After the termination of Executive's employment, the foregoing covenant shall restrict
Executive's actions only with respect to competition in the Territory.

For purposes of this Agreement, the term "Territory" shall mean the geographical territory consisting of (i) those territories in the countries of Argentina, Uruguay, Colombia, Venezuela, Chile, Peru, Ecuador, Panama, Nicaragua and Guatemala described in Exhibit "B" attached hereto and incorporated by reference herein and (ii) those counties and parishes in the states of Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee listed on Exhibit "B", which the Parties acknowledge represents geographical territories in which Executive, as of the Effective Date, has (or has had) responsibility for providing Services to Company or Affiliated Companies. The Parties also acknowledge that the entire Territory consists of geographical territories in which Company and Affiliated Companies, directly or indirectly, are conducting business on the Effective Date. In an effort to impose reasonable limitations on the scope of the Territory, Company has not required that Executive comply with the covenant in this Section 7 in all geographical areas where Company and Affiliated Companies are licensed to conduct business and are conducting business, even though the Parties acknowledge that Executive is performing Services throughout that entire area. Executive agrees that because of the widespread nature of Company's business, Executive's engaging in competitive activity anywhere in the Territory would irreparably injure Company or Affiliated Companies and that, therefore, a more limited geographic restriction is neither feasible nor appropriate.

For purposes of this Agreement, the term "Services" shall mean services which Executive as of the Effective Date is responsible for providing to Company and Affiliated Companies, which Executive acknowledges consists of providing management, administrative and advisory services related to business planning and operations with respect to the communications services business, consisting of wireline (local exchange, exchange access and intraLATA toll) telecommunications services, systems and products, wireless (cellular, personal communications service, and mobile data) communications services, systems and products, electronic commerce or communications (internet and web based applications), data transmission and networking, entertainment services, systems and products, paging services, systems and products, and telecommunications directory advertising and publishing.

Executive represents and warrants that Executive's education, training and experience are such that this Section 7 will not jeopardize or significantly interfere with Executive's ability to secure other gainful employment.

8. INTERPRETATION; SEVERABILITY OF INVALID PROVISIONS. Executive acknowledges and agrees that the limitations described in this Agreement, including specifically the limitations upon his activities, are reasonable in scope, are necessary for the protection of Company's and Affiliated Companies' business, and form an essential part of the consideration for which this Agreement has been entered into. It is the intention of the Parties that the provisions of this Agreement be enforced to the fullest extent permissible under applicable laws and public policies. Nonetheless, the rights and restrictions contained in this Agreement may be exercised and shall be applicable and binding only to the extent they do not violate any applicable laws and are intended to be limited to the extent necessary so that they will not render this Agreement illegal, invalid or unenforceable. If any provision of this Agreement shall be held to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect. The provisions of this Agreement do not in any way limit or abridge Company's or Affiliated Companies' rights under the laws of unfair competition, trade secret, copyright, patent, trademark or any other applicable law(s), all of which are in addition to and cumulative of Company's or Affiliated Companies' rights under this Agreement. Executive agrees that the existence of any claim by Executive against Company or any Affiliated Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to enforcement by Company or any Affiliated Company of any or all of such provisions or covenants.

9. CONSEQUENCES OF BREACH OF AGREEMENT BY EXECUTIVE. Executive agrees that he will reimburse Company and Affiliated Companies for any and all attorneys' fees incurred by Company and Affiliated Companies arising out of Executive's breach or threatened breach of any provision of this Agreement. Executive also understands that his entitlement to and retention of the benefits provided to Executive under this Agreement are expressly conditioned upon his fulfillment of the terms and conditions of the Agreement, and Executive agrees, to the extent permitted or required by law, immediately to return or repay the amounts he has received under this Agreement from Company in excess of One Hundred Dollars ($100.00) upon Executive's breach of any provision of this Agreement. Although, as provided in Section 5 of this Agreement, the filing of a charge or a lawsuit under the Age Discrimination in Employment Act (ADEA) to challenge the validity of the Agreement will not be considered a breach, the severance and other benefits paid to Executive under this Agreement may serve as restitution, recoupment, and/or setoff in the event Executive prevails on the merits of such claim.

10. RELIEF. The Parties acknowledge that a breach or threatened breach by Executive of any of the terms of this Agreement would result in material and irreparable damage and injury to Company or Affiliated Companies, and that it would be difficult or impossible to establish the full monetary value of such damage. Therefore, Company and Affiliated Companies shall be entitled to injunctive relief in the event of Executive's breach or threatened breach of any of the terms contained in this Agreement.

11. ARBITRATION. Except for the right to seek temporary restraint or interim injunctive relief from a court of competent jurisdiction (as provided in Section 10, any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity of any provision hereof (collectively, a "Claim") shall be settled by arbitration pursuant to the National Rules for the Resolution of Employment Disputes of the American Arbitration Association. Any such arbitration shall be conducted by one arbitrator, with experience in the matters covered by this Agreement, mutually acceptable to the Parties. If the Parties are unable to agree on the arbitrator within thirty (30) days of one party giving the other party written notice of intent to arbitrate a Claim, the American Arbitration Association shall appoint an arbitrator with such qualifications to conduct such arbitration. The decision of the arbitrator in any such arbitration shall be conclusive and binding on the Parties. Any such arbitration shall be conducted in Atlanta, Georgia.

The Parties indicate their acceptance of the foregoing arbitration requirement by initialing below:

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|---|---|
| RDS | RDV |
| Company | Executive |

12. AGREEMENT BINDING. This Agreement shall be binding upon and inure to the benefit of Company and Affiliated Companies, and their successors, assignees, and designees, and Executive and Executive's heirs, executors, administrators, personal representatives and assigns.

13. ENTIRE AGREEMENT; PREVIOUS AGREEMENT. This Agreement and all exhibits to this Agreement (which are incorporated into the Agreement by reference) contain the entire agreement between the Parties and no statements, promises or inducements made by either Party, or agent of either Party, which are not contained in this Agreement shall be valid or binding; provided, however, that the matters dealt with herein supersede the terms of Company benefit plans and agreements between the Parties entered into pursuant to such plans only to the extent the provisions of such plans and related agreements are inconsistent with this Agreement and other provisions of such plans and related agreements not inconsistent with this Agreement are not affected. This Agreement may not be enlarged, modified or altered except in writing signed by the Parties.

14. NONWAIVER. The failure of Company or any Affiliated Companies to insist upon strict performance of the terms of this Agreement, or to exercise any option herein,

shall not be construed as a waiver or a relinquishment for the future of such term or option, but rather the same shall continue in full force and effect.

15. NOTICES. All notices, requests, demands and other communications required or permitted by this Agreement or by any statute relating to this Agreement shall be in writing and shall be deemed to have been duly given if delivered or mailed, first-class, certified mail, postage prepaid, addressed to Company or Executive at the address reflected on Exhibit "C" attached hereto and incorporated by herein by this reference.

16. NONDISCLOSURE. Executive shall not disclose the existence or terms of this Agreement to any third party (excluding Executive's spouse and children), except to receive advice of legal counsel, financial advisors or tax advisors (who shall also be required to maintain its confidentiality) or to comply with any statutory or common law duty; provided that these restrictions on disclosure shall not apply to the extent that the existence of this Agreement are disclosed by Company or any Affiliated Company as part of its periodic public filings and disclosures or otherwise.

17. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

18. GOVERNING LAW; CONSULTATION WITH COUNSEL. This Agreement shall be construed under and governed by the laws of the State of Georgia. Executive has been advised to consult with an attorney, acknowledges having had ample opportunity to do so and fully understands the binding effect of this Agreement. In this regard, Executive acknowledges that a copy of this Agreement was provided to Executive for review and consideration for up to twenty-two (22) days. Further, Executive understands that this Agreement may be revoked by Executive within seven (7) days from the date of execution of this Agreement. Executive further acknowledges that he is a sophisticated businessperson and that given his opportunity to review, negotiate and reject this Agreement, has bargaining power equal to that of Company. Therefore, the provisions of this Agreement shall not be construed against Company.

19. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meaning specified below:

(a) "AFFILIATED COMPANIES" shall mean those subsidiaries and affiliates of Company listed on Exhibit "D" attached hereto and incorporated herein by this reference and any direct successors to those companies through acquisition or merger or by way of name change.

(b) "BASE SALARY" shall have the meaning ascribed to such term in Section 3 of this Agreement.

(c) "CAUSE" shall mean Executive's (i) engaging in an act (or acts) of willful dishonesty involving Cingular, Company or other Affiliated Companies or their business (es) that is demonstrably injurious to Cingular, Company or other Affiliated Companies; or (ii) conviction of a crime classified as a felony.

(d) "CONFIDENTIAL INFORMATION" shall have the meaning ascribed to such term in Section 6 of this Agreement.

(e) "DISABILITY" shall mean an illness, injury or other incapacity which qualifies Executive for long-term disability benefits under the principal management long-term disability plan of Company.

(f) "EFFECTIVE DATE" shall mean the date on which this Agreement is executed by the Parties as set forth on page 1 hereinabove.

(g) "GOOD REASON" shall mean, without Executive's express written consent, any of the following circumstances: (i) a material diminution in the status or responsibilities of Executive's position from those which existed immediately prior to such diminution; (ii) a reduction in Executive's Base Salary as in effect immediately prior to such reduction, or the failure to pay a bonus award to which Executive is otherwise entitled under any of the short term or long term incentive plans in which Executive participates (or any successor incentive compensation plans) at the time such awards are usually paid; (iii) Executive becoming entitled to types or amounts of other compensation and benefits which are materially less (or materially less valuable) than the types or amounts of such compensation and benefits provided to other similarly situated officers; or (iv) a change in the principal place of Executive's employment requiring relocation outside the Atlanta, Georgia, metropolitan area.

(h) "PERSON" shall mean any individual, corporation, limited liability entity, bank, partnership, joint venture, association, joint stock company, trust, unincorporated organization, governmental or other legal or business entity.

(i) "SERP" shall mean the BellSouth Corporation Supplemental Executive Retirement Plan, as amended from time to time.

(j) "SERVICES" shall have the meaning ascribed to such term in Section 7 of this Agreement.

(k) "TERRITORY" shall have the meaning ascribed to such term in Section 7 of this Agreement.

IN WITNESS WHEREOF, Company has caused this Agreement to be executed by its duly authorized representative, and Executive has executed this Agreement, as of the date written above.

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|---|---|
| EXECUTIVE: | BELLSOUTH CORPORATION |
| Rafael de la Vega | By: Richard D. Sibbernsen |
| Rafael de la Vega | Title: Vice President - Human Resources |

EXHIBIT "A"

RELEASE AGREEMENT

For and in consideration of the mutual promises contained in the Agreement entered into on the __ day of _____, 2003, between Rafael de la Vega ("Executive") and BellSouth Corporation ("Company"), Executive does hereby, for himself, his heirs, executors, administrators, and assigns, release and forever discharge Company, its subsidiary, affiliated and associated companies, and any employee, officer, director, representative, agent, successor or assign of any such entity, and all persons acting by, through and under or in concert with any of them (both in their personal and official capacities), from any and all claims, demands, actions, causes of action, remedies, suits, obligations, damages, losses, costs and expenses, of whatever kind or nature, whether under common law, state law, federal law or otherwise, including without limitation the Age Discrimination in Employment Act of 1967, as amended, through the date of this Release Agreement, including without limitation those arising from or in connection with the terms and conditions of Executive's employment with Company and any subsidiary, affiliated and associated companies, or the termination of Executive's employment. This Release is not intended to affect benefits to which Executive may be entitled under any pension, savings, health, welfare or other benefit plan in which Executive is a participant.

Executive covenants and agrees not to make or file any claim, demand or cause of action or seek any remedy of whatever nature, whether under common law, state law, federal law or otherwise arising from or in connection with the matters discharged and waived above. Notwithstanding the foregoing, in the event Executive files a charge or lawsuit under the Age Discrimination in Employment Act of 1967 ("ADEA") and thereby challenges the validity of the release described herein, such charge or lawsuit will not be considered a breach of this provision.

Executive has been advised to consult with an attorney, acknowledges having had ample opportunity to do so, and fully understands the binding effect of this Release Agreement. Executive acknowledges that a copy of this Release Agreement was provided to him on _____, 20__, for review and consideration for up to twenty-two (22) days. Executive understands that this Release may be revoked by him within seven (7) days from the date of execution of this Release Agreement.

Executive agrees that this Agreement shall be construed under and governed by the laws of the State of Georgia.

Executive now states that the only consideration for his signing this Release Agreement is the mutual promises and payment of the sum described above; that no other promises or agreements of any kind or nature have been made to, or with, him by Company or its agents to cause him to sign this Release Agreement, and that Executive fully understands the meaning and intent of this instrument.

WITNESS my hand and seal this ____ day of _____, 20___.

_____
RAFAEL DE LA VEGA

EXHIBIT "B"

GEOGRAPHIC TERRITORY

LATIN AMERICA

Argentina (Nationwide)
Chile (Nationwide)
Colombia (Nationwide)
Ecuador (Nationwide)
Guatemala (Nationwide)
Nicaragua (Managua and the Pacific Coast)
Panama (Nationwide)
Peru (Nationwide)
Uruguay (Abiatar - Coastal Corridor)
Venezuela (Nationwide)

UNITED STATES

Alabama: Jefferson and Shelby Counties (Birmingham)
Mobile County (Mobile)

Florida: Broward and Dade Counties (Miami-Ft. Lauderdale)
Palm Beach County (West Palm Beach)

Georgia: Fulton, DeKalb, Cobb and Gwinnett Counties (Atlanta)

Kentucky: Jefferson County (Louisville)

Louisiana: Jefferson and Orleans Parishes (New Orleans)
East Baton Rouge, Ascension and Livingston Parishes (Baton Rouge)

Mississippi: Hinds, Madison and Rankin Counties (Jackson)

North Carolina: Mecklenburg County (Charlotte)
Wake County (Raleigh)

South Carolina: Anderson, Greenville and Spartanburg Counties (Greenville)
Richland and Lexington Counties (Columbia)

Tennessee: Davidson County (Nashville)
Shelby County (Memphis)

EXHIBIT "C"

NOTICES

To Company: Charles R. Morgan
Executive Vice President and
General Counsel
BellSouth Corporation
Suite 2002
1155 Peachtree Street, N.E.
Atlanta, Georgia 30309-3610

To Executive: Rafael de la Vega
8965 Old Southwick Pass
Alpharetta, Georgia 30022

EXHIBIT "D"

Domestic

BellSouth Telecommunications, Inc.
BellSouth Enterprises, Inc.
Cingular Wireless LLC
BellSouth Long Distance, Inc.
BellSouth Advertising & Publishing Corporation
L.M. Berry and Company (d/b/a The Berry Company)

International

Abiatar S.A.
BellSouth Chile S.A.
BellSouth Colombia S.A.
BellSouth Comunicaciones S.A.
BellSouth Guatemala y Compania, S.C.A.
BellSouth International, Inc.
BellSouth Inversiones S.A.
BellSouth Panama S.A.
BellSouth Peru, S.A.
BellSouth Shanghai Centre, Ltd.
CellCom Israel Ltd.
Compania de Radiocomunicaciones Moviles S.A.
Compania de Telefonos del Plata S.A.
Otecel S.A.
SONOFON A/S
StarMedia Network, Inc.
Telcel C.A.
Telefonia Celular de Nicaragua, S.A.

AGREEMENT AND RELEASE AND WAIVER OF CLAIMS

This Agreement and the Release and Waiver contained herein are made and entered into in Dallas, Texas, by and between AT&T Management Services, L.P. (hereinafter "Company") and Mr. Forrest Miller (hereinafter "Mr. Miller") for and in consideration of the mutual promises and agreements set forth below and are conditional on performance of such promises and agreements.

WHEREAS, Mr. Miller will retire from Company on March 30, 2012; and as a consequence, Mr. Miller will be entitled to receive appropriate, usual and customary benefits and certain other benefits described herein; and

WHEREAS, both parties agree that in connection with Mr. Miller's retirement on March 30, 2012, in addition to the before referenced appropriate, usual and customary benefits, Mr. Miller should receive additional benefits and consideration as set forth herein, and that Mr. Miller, among other things, should release and forever discharge Company, AT&T Inc. ("AT&T"), any and all other subsidiaries (which term when used throughout this document shall include entities, corporate or otherwise, in which the company referred to owns, directly or indirectly, fifty percent or more of the outstanding equity interests) of Company and of AT&T, their officers, directors, agents, employees, successors and assigns and any and all employee benefit plans maintained by AT&T or any subsidiary thereof and/or any and all fiduciaries of any such plan, from any and all common law and/or statutory claims, causes of action or suits of any kind whatsoever, arising from or in connection with Mr. Miller's employment by Company or any affiliate of AT&T and/or Mr. Miller's separation from Company, all as set forth in more detail in the Release and Waiver contained herein.

WHEREAS, Mr. Miller has been employed by Company and/or AT&T's subsidiaries for over twenty-seven (27) years and worked in significant positions and assignments that required access to and involvement with confidential and proprietary information, trade secrets and matters of strategic importance to Company, AT&T and/or AT&T's subsidiaries that will continue beyond Mr. Miller's employment and consulting arrangement with Company. During the term of his longstanding employment in various capacities with Company or an AT&T subsidiary and during the period that he will perform consulting services, Mr. Miller has acquired, and will continue to acquire during the period he provides consulting services, knowledge of its business, on a national and regional level, including but not limited to operations, sales, marketing, advertising, technology, networks, network technology, network development and strategy, distribution and distribution channels, operations, strategic planning initiatives, new product and services development, strategic planning, rate information and growth strategies and initiatives. Mr. Miller has acquired and possesses unique skills as a result of employment with Company (and/or AT&T subsidiaries) and will continue to acquire unique skills as a result of his consulting services to be provided to Company. The trade secrets with which Mr. Miller has been involved and will be involved are critical to Company's, AT&T's, and AT&T's subsidiaries' success. Disclosure of this information in the performance of services for a subsequent employer engaged in similar businesses would be inevitable and inherent as part of Mr. Miller's performance of services for such an employer. For all of these reasons and due to the confidential and proprietary information and trade secrets Mr. Miller learned in his employment with Company or an AT&T subsidiary and will learn during his period of providing consulting services, Mr. Miller acknowledges that it is reasonable for Company to seek the restrictions contained in the subsequent provisions of this Agreement and that more limited restrictions are neither feasible nor appropriate. Mr. Miller understands and agrees that the consideration provided herein requires Mr. Miller to comply strictly with all terms of this Agreement including, but not limited to, confidentiality, non-compete, non-solicitation of employees and non-solicitation of customers as set forth below.

NOW, therefore, the parties further agree as follows:

1. Mr. Miller will retire from Company effective at the close of business on March 30, 2012, and Mr. Miller herewith resigns all officer and director positions that he may hold in AT&T and in any subsidiary of AT&T effective at the close of business on March 30, 2012.

2. Mr. Miller shall execute this Agreement and the Release and Waiver contained herein and Company shall, within thirty (30) days after the Release and Waiver contained herein can no longer be revoked, (A) pay Mr. Miller a lump sum payment amount equal to his annual target cash compensation plus an amount to compensate for applicable discounts due to early retirement of $2,935,000, less regular and customary withholdings for any applicable federal, state and local income or other taxes or withholdings and less any amounts owed by Mr. Miller to Company, AT&T or any AT&T subsidiary, and (B) propose to the Human Resources Committee of the AT&T Inc. Board of Directors that the AT&T 2006 Incentive Plan provisions requiring automatic proration of Mr. Miller's 2011 Performance Share Grant is eliminated and Mr. Miller shall be eligible for full distribution of such grant after the applicable three (3) year performance period, subject to adjustment based on achievement of the applicable performance goals and approval of the Human Resources Committee of the AT&T.

3. The consideration described herein shall be in lieu of, and Mr. Miller hereby specifically waives any right to any and all other termination pay allowance resulting from his termination of employment.

4. Commencing on his retirement and continuing for twenty-four (24) months thereafter, Mr. Miller shall provide consulting services to or on behalf of AT&T with respect to an AT&T equity investment or other matters as requested by Company and, at Company's request, at any time during the eighteen (18) months immediately following his retirement, Mr. Miller will provide services and cooperate with Company, AT&T or any AT&T subsidiary with respect to any claims or lawsuits involving any of them where Mr. Miller has knowledge of the underlying facts (collectively, "Services"). Mr. Miller shall provide such Services according to a schedule as agreed upon by Company and Mr. Miller; provided, however, Company and Mr. Miller agree that the amount of time Mr. Miller devotes to the performance of Services shall not be more than twenty percent (20%) of the average amount of time spent by Mr. Miller performing services for Company during the thirty-six (36) month period immediately preceding March 30, 2012.

In exchange for providing Services, Company shall pay Mr. Miller a consulting fee of $1,350,000 for the period commencing on March 31, 2012 and continuing through March 31, 2013 and a consulting fee of $1,000,000 for the period commencing on April 1, 2013 and continuing through March 31, 2014. In each case, the consulting fee shall be paid in quarterly installments on the last business day of each quarter, commencing on June 30, 2012 and ending on March 31, 2014. Reasonable and necessary expenses incurred by Mr. Miller in the provision of Services shall be eligible for reimbursement only in accordance with the AT&T employee expense reimbursement guidelines and only after prior consultation with and preliminary approval by Company. Reimbursement of such expenses shall be made by Company within forty-five (45) days of receipt by Company of appropriate documentation for such expenses.

In performing Services, Mr. Miller shall act as an independent contractor and not as an agent, partner or employee of AT&T or any AT&T subsidiary. Mr. Miller shall not b eligible to participate in or receive benefits under any AT&T or AT&T subsidiary sponsored employee benefit plan, program or policy for the period of time he is providing Services a an independent contractor. This Agreement does not establish an agency or partnership relationship between Mr. Miller and AT&T. Mr. Miller cannot obligate AT&T, enter in contracts on behalf of AT&T, incur debts for AT&T, or in any other way bind AT&T to any third party. Although the Services will have to be completed to the satisfaction of Compar and in accordance with this Agreement, the actual details of the Services shall be under Mr. Miller's control. Mr. Miller shall comply, at his expense, with all applicable provisions workers' compensation laws, unemployment compensation laws, federal social security law, the Fair Labor Standards Act, and all other applicable federal, state and local law regulations and codes relating to terms and conditions of employment required to be fulfilled by employers. In the performance of this Agreement, Mr. Miller also agrees to comply wi all applicable federal, state and local laws, regulations and codes and with such requirements or restrictions as may be lawfully imposed by governmental authorities, including th procurement of required permits and licenses.

Subject to the provisions of Sections 7, 8, and 9 of this Agreement, Company acknowledges that Mr. Miller may undertake services for others during the time that he perform Services under this Agreement.

Mr. Miller agrees that the obligations to perform the Services required of him hereunder are personal and may not be assigned or delegated by him in any manner whatsoeve nor are such obligations subject to involuntary alienation, assignment or transfer.

Mr. Miller shall maintain accurate and complete records specifically relating to the Services provided. To the extent that such records may be relevant in determining wheth Mr. Miller is complying with his obligations, Company, upon giving reasonable prior notice, may audit such records. Mr. Miller shall retain such records for a period of three years fro March 31, 2014.

Mr. Miller's Services may be terminated at any time by the mutual agreement of Mr. Miller and Company, and may be terminated by Company as described in Section 9 here

or for cause. For purposes of this Agreement, a termination for cause shall mean termination due to an act of dishonesty, fraud or willful misconduct.

For purposes of this Section, AT&T's Senior Vice President – Corporate Development, or his delegate, is authorized to represent AT&T.

5. This Agreement and the Release and Waiver contained herein do not abrogate any of the usual entitlements that Mr. Miller has or will have, first, while a regular employee and subsequently, upon his retirement. These may include, among others:

(a) Customary and regular health care, disability and life insurance and survivor benefits for which Mr. Miller may qualify subject to and in accordance with the terms of applicable AT&T or AT&T subsidiary sponsored plans; and

(b) The distribution of benefits, if any, under the AT&T Pension Benefit Plan, AT&T Savings Plan, AT&T 2006 Incentive Plan, AT&T Supplemental Retirement Income Plan, AT&T 2005 Supplemental Employee Retirement Plan, AT&T Stock Savings Plan, AT&T Stock Purchase and Deferral Plan, AT&T Cash Deferral Plan, AT&T Salary and Incentive Award Deferral Plan, AT&T Supplemental Life Insurance Plan, AT&T Health Plan, the AT&T Administrative Plan, the PTG Executive Supplemental Cash Balance Plan, and the PTG 1996 Executive Deferral Plans.

All of said benefits will be subject to and provided in accordance with the terms and conditions of the respective benefit plans as applicable to Mr. Miller. Further, AT&T and its subsidiaries have reserved the right to end or amend any or all of the plans that it sponsors. Each participating subsidiary, which includes Company, has reserved the right to end its participation in these plans and to discontinue providing any and all such benefits. If any of the plans should be terminated or changed or Company ends its participation or ceases to provide such benefits, to the extent that such action may apply to Mr. Miller, it is subject to the terms and conditions of the specific plan and applicable law. This means, for example, that Mr. Miller will not acquire a lifetime right to any health care plan benefit or to the continuation of any health care plan merely by reason of the fact that such benefit or plan is in existence at the time of Mr. Miller's retirement or because of this Agreement and the Release and Waiver contained herein. Thus, Mr. Miller's rights/entitlements to any benefit under any of the plans are no different as a result of entering into this Agreement and the Release and Waiver contained herein than they would have been in the absence of this Agreement and the Release and Waiver contained herein.

6. Mr. Miller agrees not to voluntarily aid, assist, or cooperate with any claimants or plaintiffs or their attorneys or agents in any claims or lawsuits commenced in the future against Company, AT&T or any AT&T subsidiary; provided, however, that nothing in this Agreement shall prohibit Mr. Miller from exercising his right to file a charge of discrimination with the EEOC, or that would limit his right to testify, assist, or participate in an investigation, hearing, or proceeding conducted by the EEOC; provided, further, however, nothing in this Agreement will be construed to prevent Mr. Miller from testifying at an administrative hearing, a deposition, or in court in response to a lawful subpoena in any litigation or proceedings involving Company, AT&T or any of their respective subsidiaries.

Company agrees to indemnify Mr. Miller if he is a defendant or is threatened to be made a defendant to any action, suit or proceeding, whether civil, criminal, administrative or investigative that is brought by a third party by reason of the fact that he was a director, officer, employee or agent of Company, or was serving at the request of Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, but in each case only if and to the extent permitted under applicable state or federal law.

7. Mr. Miller acknowledges that, as a result of his employment with Company and/or AT&T's subsidiaries, he has, and, as additional consideration for the commitments made in Paragraphs 7 and 8, Company will continue to provide through the end of the period he performs Services, access to certain Trade Secrets and Confidential Information (as these terms are defined below). Mr. Miller acknowledges that AT&T and its subsidiaries must protect its Trade Secrets and Confidential Information from disclosure or misappropriation, and Mr. Miller further acknowledges that the Trade Secrets and Confidential Information are unique and confidential and are the proprietary property of AT&T and its subsidiaries. Mr. Miller acknowledges that the Trade Secrets and Confidential Information derive independent, actual and potential commercial value from not being generally known, or readily ascertainable through independent development. Mr. Miller agrees to hold Trade Secrets or Confidential Information in trust and confidence and to not directly or indirectly disclose or transmit Trade Secrets or Confidential Information to any third party without prior written consent of AT&T. Mr. Miller further agrees not to use any such Trade Secrets or Confidential Information for his personal benefit or for the benefit of any third party. This restriction shall apply indefinitely as long as the document or information exists as a Trade Secret or Confidential Information.

On or before termination of the provision of Services, Mr. Miller shall return to AT&T or an AT&T subsidiary all of AT&T's (and its subsidiaries') documents (and all copies thereof), and other property of AT&T and its subsidiaries that are in Mr. Miller's possession, including, but not limited to, AT&T's (and its subsidiaries') files, notes, drawings, records, business plans and forecasts, financial information, specifications, all product specifications, customer identity information, product development information, source code information, object code information, tangible property (including, but not limited to, computers), intellectual property, credit cards, entry cards, and keys; and, any materials of any kind which contain or embody Trade Secrets or Confidential Information (and all reproductions thereof), including, without limitation, any such documents and other property in electronic form, or any computer or data storage device. Mr. Miller shall not retain or provide to anyone else any copies, summaries, abstracts, descriptions, compilation, or other representations of such information or things or their contents.

"Trade Secret" means information proprietary to AT&T or any AT&T subsidiary including, but not limited to, technical or non-technical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, marketing plans, pricing plans, advertising and sponsorship plans, product development analyses or plans, any plans involving the combination of AT&T's or its subsidiaries' products and/or services (or pricing of products and/or services) offered or to be offered by or in conjunction with AT&T or any subsidiary of AT&T, or lists of actual or potential customers or suppliers, which: (1) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

"Confidential Information" means any data or information, other than Trade Secrets, that is competitively sensitive to AT&T or an AT&T subsidiary and not generally known by the public. To the extent consistent with the foregoing definition, Confidential Information includes, without limitation: (1) the sales records, profit and performance records, pricing manuals, sales manuals, training manuals, selling and pricing procedures, and financing methods of AT&T or any AT&T subsidiary, (2) customer lists, the special demands of particular customers, and the current and anticipated requirements of customers for the products and services of AT&T or any AT&T subsidiary, (3) the specifications of any new products or services under development by AT&T or any AT&T subsidiary, (4) the sources of supply for integrated components and materials used for production, assembly, and packaging by AT&T or any AT&T subsidiary, and the quality, prices, and usage of those components and materials, and (5) the business plans, marketing strategies, promotional and advertising strategies, branding strategies, and internal financial statements and projections of AT&T or any AT&T subsidiary.

Notwithstanding the definitions of Trade Secrets and Confidential Information set forth above, Trade Secrets and Confidential Information shall not include any information: (1) that is or becomes generally known to the public, (2) that is developed by Mr. Miller after the termination of his consulting relationship through his entirely independent efforts without use of any Trade Secret or Confidential Information, (3) that Mr. Miller obtains from an independent source having a bona fide right to use and disclose such information, (4) that is required to be disclosed by subpoena, law, or similar legislative, judicial, or administrative requirement; provided, however, Mr. Miller will notify Company upon receipt of any such subpoena or similar request and give Company a reasonable opportunity to contest or otherwise oppose the subpoena or similar request, or (5) that AT&T approves for unrestricted release by express authorization of a duly authorized officer.

It is hereby agreed that Mr. Miller may represent himself as a former employee or retiree of Company or AT&T; but otherwise he agrees that he will not make, nor cause to be made any public statements, disclosures or publications which relate in any way, directly or indirectly to his cessation of employment with Company without prior written approval by Company. Mr. Miller also agrees that he will not make, nor cause to be made any public statements, disclosures or publications which portray unfavorably, reflect adversely on, or are derogatory or inimical to the best interests of AT&T, its subsidiaries, or their respective directors, officers, employees or agents, past, present or future.

8. Mr. Miller agrees that he shall not, during the twenty-four (24) months immediately following his retirement, without obtaining the written consent of Company in advance, participate in activities that constitute Engaging in Competition with AT&T or Engaging in Conduct Disloyal to AT&T, as those terms are defined below.

a. "Engaging in Competition with AT&T" means engaging in any business or activity in all or any portion of the same geographical market where the same or substantially similar business or activity is being carried on by an Employer Business. "Engaging in Competition with AT&T" shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer Business. "Engaging in Competition with AT&T" shall include representing or providing

consulting services to, or being an employee or director of, any person or entity that is engaged in competition with any Employer Business or that takes a position adverse to any Employer Business.

b. "Engaging in Conduct Disloyal to AT&T" means (i) soliciting for employment or hire, whether as an employee or as an independent contractor, any person employed by AT&T or its subsidiaries during the one (1) year prior to Mr. Miller's retirement, whether or not acceptance of such position would constitute a breach of such person's contractual obligations to AT&T or its subsidiaries; (ii) soliciting, encouraging, or inducing any vendor or supplier with which Mr. Miller had business contact on behalf of any Employer Business during the two (2) years prior to Mr. Miller's retirement, to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with AT&T or any AT&T subsidiary; or (iii) soliciting, encouraging, or inducing any AT&T or AT&T subsidiary customer or active prospective customer with whom Mr. Miller had business contact, whether in person or by other media ("Customer"), on behalf of any Employer Business during the two (2) years prior to Mr. Miller's retirement, to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with any Employer Business, or to purchase competing goods or services from a business competing with any Employer Business, or accepting or servicing business from such Customer on behalf of himself or any other business.

c. "Employer Business" shall mean AT&T, any subsidiary of AT&T, or any business in which AT&T or an AT&T subsidiary has a substantial ownership or joint venture interest;

Mr. Miller acknowledges that the business of AT&T and its subsidiaries is global in scope and that the geographic and temporal limitations set forth in this Section are therefore reasonable.

Mr. Miller may submit a description of any proposed activity in writing to Company (attn: Vice President – Executive Compensation), and Company shall advise Mr. Miller, in writing, within (15) fifteen business days whether such proposed activity would constitute a breach of the provisions of this Section.

9. Mr. Miller acknowledges and agrees that Company would be unwilling to provide the consideration provided pursuant to this Agreement and the Release and Waiver contained herein, including, but not limited to continued access to Confidential Information and Trade Secrets, but for the confidentiality, non-solicitation, and non-compete conditions and covenants set forth in Sections 7 and 8, and that these conditions and covenants are a material inducement to AT&T's willingness to enter into this Agreement. Accordingly, Mr. Miller shall return to Company any consideration received pursuant to this Agreement and the Release and Waiver contained herein, and agrees that Company may, in its sole discretion, terminate his Services, for any breach by Mr. Miller of the provisions of Section 7 or 8 hereof, or of the Release and Waiver contained herein. Further, Mr. Miller recognizes that any breach by him of the provisions in Sections 7 or 8 would cause irreparable injury to Company such that monetary damages would not provide an adequate or complete remedy. Accordingly, in the event of Mr. Miller's actual or threatened breach of the provisions of Section 7 or 8, Company, in addition to all other rights under law or this Agreement, shall be entitled to an injunction restraining Mr. Miller from breaching these provisions and to recover from Mr. Miller its reasonable attorneys' fees and costs incurred in obtaining such remedies.

10. Mr. Miller declares that his decision to execute this Agreement and the Release and Waiver contained herein has not been influenced by any declarations or representations by Company, AT&T, or any AT&T subsidiary, other than the contractual agreements and consideration expressly stated herein.

Company has expressly advised Mr. Miller to seek personal legal advice prior to executing this Agreement and the Release and Waiver contained herein, and Mr. Miller, by his signature below, hereby expressly acknowledges that he was given at least twenty one (21) days in which to seek such advice and decide whether or not to enter into and execute the Release and Waiver contained herein. The parties agree that any changes to this Agreement or to the Release and Waiver contained herein made after the initial draft of this Agreement and Release and Waiver of Claims is presented to Mr. Miller, whether material or immaterial, do not restart the running of said twenty-one (21) day period.

Mr. Miller may revoke this Agreement and the Release and Waiver contained herein within seven (7) days of his execution of the Release and Waiver contained herein by giving notice, in writing, by certified mail, return receipt requested to Company at the address specified below. Proof of such mailing within said seven (7) day period shall suffice to establish revocation pursuant to this Section. In the event of any such revocation, this entire Agreement and the Release and Waiver contained herein shall be null and void, and unenforceable by either party.

11. Any notice required hereunder to be given by either party must be in writing and will be deemed effectively given upon personal delivery to the party to be notified, or five (5) days after deposit with the United States Post Office by certified mail, postage prepaid, to the other party at the addresses noted in the signature block of this Agreement.

12. The validity, interpretation, construction and performance of this Agreement and the Release and Waiver contained herein shall be governed by the laws of the State of Texas excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement and the Release and Waiver contained herein to the substantive law of another jurisdiction. To achieve certainty regarding the appropriate forum in which to prosecute and defend actions arising out of or relating to this Agreement, which the parties agree is a material condition of entering into this Agreement, the parties agree and acknowledge that (a) the sole and exclusive venue for any such action shall be an appropriate federal or state court in Dallas County, Texas, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Dallas County, Texas court, and no other, (c) such Dallas County, Texas court shall have sole and exclusive jurisdiction over the person of such parties and over the subject matter of any dispute relating hereto, and (d) that the parties waive any and all objections and defenses to bringing any such action before such Dallas County, Texas court, including but not limited to those relating to lack of personal jurisdiction, improper venue or *forum non conveniens* .

13. The terms and conditions contained in this Agreement that by their sense and context are intended to survive the termination or completion of performance of obligations by either or both parties under this Agreement shall so survive.

14. This Agreement and the Release and Waiver contained herein shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto.

15. This Agreement and the Release and Waiver contained herein constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, except that this Agreement shall not be deemed to supersede or cancel any obligations applicable to Mr. Miller under any AT&T or AT&T subsidiary sponsored deferred compensation plan, equity award plan, fringe benefit program, or any other AT&T or AT&T subsidiary sponsored benefit plan as to which Mr. Miller is a participant immediately preceding his retirement.

16. In the event any provision of this Agreement or the Release and Waiver contained herein is held invalid, void, or unenforceable, the same shall not affect in any respect whatsoever the validity of any other provision of this Agreement or said Release and Waiver, except that should said Release and Waiver be held to be invalid as applicable to and as asserted by Mr. Miller with regard to any claim or dispute covered thereunder, or should any part of the provisions of Sections 7, 8, or 9 of this Agreement be held invalid, void, or unenforceable as applicable to and as asserted by Mr. Miller, this Agreement and the Release and Waiver contained herein, at Company's option, may be declared by Company null and void. If this Agreement and the Release and Waiver contained herein are declared null and void by Company pursuant to the provisions of this Section, Mr. Miller shall return to Company all consideration previously received pursuant to this Agreement and the Release and Waiver contained herein.

17. This Agreement and the Release and Waiver contained herein shall inure to the benefit of and be binding upon, Company, its successors and assigns, and Mr. Miller and his beneficiaries, whether under the various employee benefit programs or otherwise.

*(The remainder of this page is intentionally left blank)*

18. This Agreement and the Release and Waiver contained herein shall be and hereby are declared to be null and void in the event that Mr. Miller does not retire from Company on or before the close of business on March 30, 2012. All payments and other consideration to be provided to Mr. Miller by Company are contingent upon Mr. Miller's retirement actually becoming effective on or before the close of business on March 30, 2012, and are further contingent upon Mr. Miller's execution of this Agreement no later than March 30, 2012 and the Release and Waiver contained herein on March 30, 2012, and not revoking either this Agreement or the Release and Waiver contained herein.

AT&T Management Services, L.P.
208 South Akard Street
Room 3703
Dallas, TX 75202

_____
By: William A. Blase, Jr.
Title: Senior Executive Vice President- Human Resources

Date: _____

Forrest Miller
3505 Turtle Creek Blvd, # 7B
Dallas, TX 75219

_____
Forrest Miller

Date: _____

RELEASE AND WAIVER

I, Forrest Miller, hereby fully waive and forever release and discharge Company, AT&T, any and all other subsidiaries of Company and of AT&T, their officers, directors, agents, servants, employees, successors and assigns and any and all employee benefit plans maintained by AT&T or any subsidiary thereof and/or any and all fiduciaries of any such plan from any and all common law and/or statutory claims, causes of action or suits of any kind whatsoever arising from or in connection with my past employment by Company (and any AT&T subsidiary to the extent applicable) and/or my separation therefrom, including but not limited to claims, actions, causes of action or suits of any kind allegedly arising under any federal, state, or local law, regulation, ordinance, or ruling, including, without limitation, the Employee Retirement Income Security Act (ERISA), as amended, 29 USC §§ 1001 et seq.; the Rehabilitation Act of 1973, as amended, 29 USC §§ 701 et seq.; the Civil Rights Acts of 1866 and 1870, as amended, 42 USC §§ 1981, 1982 and 1988; the Civil Rights Act of 1871, as amended, 42 USC §§ 1983 and 1985; the Civil Rights Act of 1964, as amended, 42 USC § 2000d et seq.; the Civil Rights Act of 1991; the Equal Pay Act; the Consolidated Omnibus Reconciliation Ac; the Family and Medical Leave Act; the Fair Credit Reporting Act; the Americans With Disabilities Act, as amended, 42 USC §§ 12101 et seq., and the Age Discrimination in Employment Act of 1967 (ADEA), as amended, 29 USC §§ 621 et seq., known and unknown. In addition, I, Forrest Miller, agree not to file any lawsuit or other claim seeking monetary damage or other relief in any state or federal court or with any administrative agency (except as provided in the Agreement delivered by Company contemporaneously with this Release and Waiver (the "Agreement")) against any of the aforementioned parties in connection with or relating to any of the aforementioned matters. Provided, however, by executing this Release and Waiver, I, Forrest Miller, do not waive rights or claims that may arise after the date of execution; provided further, however, this Release and Waiver shall not affect my right to receive or enforce through litigation, any indemnification rights to which I am entitled as a result of my past employment by Company and, if applicable, any subsidiary of AT&T, or contract rights pursuant to the Agreement entered into substantially contemporaneously herewith; and, provided further, this Release and Waiver shall not affect the ordinary distribution of benefits/entitlements, if any, to which I am entitled upon retirement from Company; it being understood by me that said benefits/entitlements, if any, will be subject to and provided in accordance with the terms and conditions of the respective governing plan document and to the extent applicable, this Agreement.

_____

Forrest Miller

Dated: March 30, 2012

AGREEMENT AND RELEASE AND WAIVER OF CLAIMS

This Agreement and the Release and Waiver contained herein are made and entered into in Dallas, Texas, by and between AT&T Management Services, L.P. (hereinafter "Company") and Mr. Rayford Wilkins, Jr. (hereinafter "Mr. Wilkins") for and in consideration of the mutual promises and agreements set forth below and are conditional on performance of such promises and agreements.

WHEREAS, Mr. Wilkins will retire from Company on March 30, 2012; and as a consequence, Mr. Wilkins will be entitled to receive appropriate, usual and customary benefits and certain other benefits described herein; and

WHEREAS, both parties agree that in connection with Mr. Wiklins' retirement on March 30, 2012, in addition to the before referenced appropriate, usual and customary benefits, Mr. Wilkins should receive additional benefits and consideration as set forth herein, and that Mr. Wilkins, among other things, should release and forever discharge Company, AT&T Inc. ("AT&T"), any and all other subsidiaries (which term when used throughout this document shall include entities, corporate or otherwise, in which the company referred to owns, directly or indirectly, fifty percent or more of the outstanding equity interests) of Company and of AT&T, their officers, directors, agents, employees, successors and assigns and any and all employee benefit plans maintained by AT&T or any subsidiary thereof and/or any and all fiduciaries of any such plan, from any and all common law and/or statutory claims, causes of action or suits of any kind whatsoever, arising from or in connection with Mr. Wiklins' employment by Company or any affiliate of AT&T and/or Mr. Wiklins' separation from Company, all as set forth in more detail in the Release and Waiver contained herein.

WHEREAS, Mr. Wilkins has been employed by Company and/or AT&T's subsidiaries for over thirty-seven (37) years and worked in significant positions and assignments that required access to and involvement with confidential and proprietary information, trade secrets and matters of strategic importance to Company, AT&T and/or AT&T's subsidiaries that will continue beyond Mr. Wiklins' employment and consulting arrangement with Company. During the term of his longstanding employment in various capacities with Company or an AT&T subsidiary and during the period that he will perform consulting services, Mr. Wilkins has acquired, and will continue to acquire during the period he provides consulting services, knowledge of all aspects of its business, on a national and regional level, including but not limited to operations, sales, marketing, advertising, technology, networks, network technology, network development and strategy, distribution and distribution channels, operations, strategic planning initiatives, new product and services development, strategic planning, rate information and growth strategies and initiatives. Mr. Wilkins has acquired and possesses unique skills as a result of employment with Company (and/or AT&T subsidiaries) and will continue to acquire unique skills as a result of his consulting services to be provided to Company. The trade secrets with which Mr. Wilkins has been involved and will be involved are critical to Company's, AT&T's, and AT&T's subsidiaries' success. Disclosure of this information in the performance of services for a subsequent employer engaged in similar businesses would be inevitable and inherent as part of Mr. Wiklins' performance of services for such an employer. For all of these reasons and due to the confidential and proprietary information and trade secrets Mr. Wilkins learned in his employment with Company or an AT&T subsidiary and will learn during his period of providing consulting services, Mr. Wilkins acknowledges that it is reasonable for Company to seek the restrictions contained in the subsequent provisions of this Agreement and that more limited restrictions are neither feasible nor appropriate. Mr. Wilkins understands and agrees that the consideration provided herein requires Mr. Wilkins to comply strictly with all terms of this Agreement including, but not limited to, confidentiality, non-compete, non-solicitation of employees and non-solicitation of customers as set forth below.

NOW, therefore, the parties further agree as follows:

1. Mr. Wilkins will retire from Company effective at the close of business on March 30, 2012, and Mr. Wilkins herewith resigns all officer and director positions that he may hold in AT&T and in any subsidiary of AT&T effective at the close of business on March 30, 2012.

2. Mr. Wilkins shall execute this Agreement and the Release and Waiver contained herein and Company shall, within thirty (30) days after the Release and Waiver contained herein can no longer be revoked, (A) pay Mr. Wilkins a lump sum payment amount equal to his annual target cash compensation of $2,112,000, less regular and customary withholdings for any applicable federal, state and local income or other taxes or withholdings and less any amounts owed by Mr. Wilkins to Company, AT&T or any AT&T subsidiary, (B) propose to the Human Resources Committee of the AT&T Inc. Board of Directors that the AT&T 2006 Incentive Plan provisions requiring automatic proration of Mr. Wilkins' 2011 Performance Share Grant is eliminated and Mr. Wilkins shall be eligible for full distribution of such grant after the applicable three (3) year performance period, subject to adjustment based on achievement of the applicable performance goals and approval of the Human Resources Committee of the AT&T, and (C) transfer a Dallas National country club membership (the "Membership") to Mr. Wilkins in his individual capacity, subject to Mr. Wilkins' acknowledgment and agreement that such transfer will result in taxable income to him and that he shall bear financial responsibility for such taxes and all other financial responsibilities associated with the Membership.

3. The consideration described herein shall be in lieu of, and Mr. Wilkins hereby specifically waives any right to any and all other termination pay allowance resulting from his termination of employment.

4. Commencing on his retirement and continuing for twenty-four (24) months thereafter, Mr. Wilkins shall provide consulting services to or on behalf of AT&T with respect to an AT&T equity investment as requested by Company and, at Company's request, at any time during the eighteen (18) months immediately following his retirement, Mr. Wilkins will provide services and cooperate with Company, AT&T or any AT&T subsidiary with respect to any claims or lawsuits involving any of them where Mr. Wilkins has knowledge of the underlying facts (collectively, "Services"). Mr. Wilkins shall provide such Services according to a schedule as agreed upon by Company and Mr. Wilkins; provided, however, Company and Mr. Wilkins agree that the amount of time Mr. Wilkins devotes to the performance of Services shall not be more than twenty percent (20%) of the average amount of time spent by Mr. Wilkins performing services for Company during the thirty-six (36) month period immediately preceding March 30, 2012.

In exchange for providing Services, Company shall pay Mr. Wilkins a consulting fee of $1,131,000 for the period commencing on March 31, 2012 and continuing throug March 31, 2013 and a consulting fee of $1,056,000 for the period commencing on April 1, 2013 and continuing through March 31, 2014. In each case, the consulting fee shall be paid quarterly installments on the last business day of each quarter, commencing on June 30, 2012 and ending on March 31, 2014. Reasonable and necessary expenses incurred by M Wilkins in the provision of Services shall be eligible for reimbursement only in accordance with the AT&T employee expense reimbursement guidelines and only after prior consultatio with and preliminary approval by Company. Reimbursement of such expenses shall be made by Company within forty-five (45) days of receipt by Company of appropria documentation for such expenses.

In performing Services, Mr. Wilkins shall act as an independent contractor and not as an agent, partner or employee of AT&T or any AT&T subsidiary. Mr. Wilkins shall not b eligible to participate in or receive benefits under any AT&T or AT&T subsidiary sponsored employee benefit plan, program or policy for the period of time he is providing Services an independent contractor. This Agreement does not establish an agency or partnership relationship between Mr. Wilkins and AT&T. Mr. Wilkins cannot obligate AT&T, enter in contracts on behalf of AT&T, incur debts for AT&T, or in any other way bind AT&T to any third party. Although the Services will have to be completed to the satisfaction of Compar and in accordance with this Agreement, the actual details of the Services shall be under Mr. Wiklins' control. Mr. Wilkins shall comply, at his expense, with all applicable provisions workers' compensation laws, unemployment compensation laws, federal social security law, the Fair Labor Standards Act, and all other applicable federal, state and local law regulations and codes relating to terms and conditions of employment required to be fulfilled by employers. In the performance of this Agreement, Mr. Wilkins also agrees to comp with all applicable federal, state and local laws, regulations and codes and with such requirements or restrictions as may be lawfully imposed by governmental authorities, including th procurement of required permits and licenses.

Subject to the provisions of Sections 7, 8, and 9 of this Agreement, Company acknowledges that Mr. Wilkins may undertake services for others during the time that he perform Services under this Agreement.

Mr. Wilkins agrees that the obligations to perform the Services required of him hereunder are personal and may not be assigned or delegated by him in any manner whatsoeve nor are such obligations subject to involuntary alienation, assignment or transfer.

Mr. Wilkins shall maintain accurate and complete records specifically relating to the Services provided. To the extent that such records may be relevant in determining wheth Mr. Wilkins is complying with his obligations, Company, upon giving reasonable prior notice, may audit such records. Mr. Wilkins shall retain such records for a period of three yea from March 31, 2014.

Mr. Wiklins' Services may be terminated at any time by the mutual agreement of Mr. Wilkins and Company, and may be terminated by Company as described in Section

hereof or for cause. For purposes of this Agreement, a termination for cause shall mean termination due to an act of dishonesty, fraud or willful misconduct.

For purposes of this Section, AT&T's Senior Vice President – Corporate Development, or his delegate, is authorized to represent AT&T.

5. This Agreement and the Release and Waiver contained herein do not abrogate any of the usual entitlements that Mr. Wilkins has or will have, first, while a regular employee and subsequently, upon his retirement. These may include, among others:

(a) Customary and regular health care, disability and life insurance and survivor benefits for which Mr. Wilkins may qualify subject to and in accordance with the terms of applicable AT&T or AT&T subsidiary sponsored plans; and

(b) The distribution of benefits, if any, under the AT&T Pension Benefit Plan, AT&T Savings Plan, AT&T 2006 Incentive Plan, AT&T Supplemental Retirement Income Plan, AT&T 2005 Supplemental Employee Retirement Plan, AT&T Stock Savings Plan, AT&T Stock Purchase and Deferral Plan, AT&T Cash Deferral Plan, AT&T Salary and Incentive Award Deferral Plan, AT&T Supplemental Life Insurance Plan, AT&T Health Plan, AT&T Administrative Plan, the AT&T Compensation Deferral Plan, and the Senior Manager Deferred Compensation Plan of 1988.

All of said benefits will be subject to and provided in accordance with the terms and conditions of the respective benefit plans as applicable to Mr. Wilkins. Further, AT&T and its subsidiaries have reserved the right to end or amend any or all of the plans that it sponsors. Each participating subsidiary, which includes Company, has reserved the right to end its participation in these plans and to discontinue providing any and all such benefits. If any of the plans should be terminated or changed or Company ends its participation or ceases to provide such benefits, to the extent that such action may apply to Mr. Wilkins, it is subject to the terms and conditions of the specific plan and applicable law. This means, for example, that Mr. Wilkins will not acquire a lifetime right to any health care plan benefit or to the continuation of any health care plan merely by reason of the fact that such benefit or plan is in existence at the time of Mr. Wiklins' retirement or because of this Agreement and the Release and Waiver contained herein. Thus, Mr. Wiklins' rights/entitlements to any benefit under any of the plans are no different as a result of entering into this Agreement and the Release and Waiver contained herein than they would have been in the absence of this Agreement and the Release and Waiver contained herein.

6. Mr. Wilkins agrees not to voluntarily aid, assist, or cooperate with any claimants or plaintiffs or their attorneys or agents in any claims or lawsuits commenced in the future against Company, AT&T or any AT&T subsidiary; provided, however, that nothing in this Agreement shall prohibit Mr. Wilkins from exercising his right to file a charge of discrimination with the EEOC, or that would limit his right to testify, assist, or participate in an investigation, hearing, or proceeding conducted by the EEOC; provided, further, however, nothing in this Agreement will be construed to prevent Mr. Wilkins from testifying at an administrative hearing, a deposition, or in court in response to a lawful subpoena in any litigation or proceedings involving Company, AT&T or any of their respective subsidiaries.

Company agrees to indemnify Mr. Wilkins if he is a defendant or is threatened to be made a defendant to any action, suit or proceeding, whether civil, criminal, administrative or investigative that is brought by a third party by reason of the fact that he was a director, officer, employee or agent of Company, or was serving at the request of Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, but in each case only if and to the extent permitted under applicable state or federal law.

7. Mr. Wilkins acknowledges that, as a result of his employment with Company and/or AT&T's subsidiaries, he has, and, as additional consideration for the commitments made in Paragraphs 7 and 8, Company will continue to provide through the end of the period he performs Services, access to certain Trade Secrets and Confidential Information (as these terms are defined below). Mr. Wilkins acknowledges that AT&T and its subsidiaries must protect its Trade Secrets and Confidential Information from disclosure or misappropriation, and Mr. Wilkins further acknowledges that the Trade Secrets and Confidential Information are unique and confidential and are the proprietary property of AT&T and its subsidiaries. Mr. Wilkins acknowledges that the Trade Secrets and Confidential Information derive independent, actual and potential commercial value from not being generally known, or readily ascertainable through independent development. Mr. Wilkins agrees to hold Trade Secrets or Confidential Information in trust and confidence and to not directly or indirectly disclose or transmit Trade Secrets or Confidential Information to any third party without prior written consent of AT&T. Mr. Wilkins further agrees not to use any such Trade Secrets or Confidential Information for his personal benefit or for the benefit of any third party. This restriction shall apply indefinitely as long as the document or information exists as a Trade Secret or Confidential Information.

On or before termination of the provision of Services, Mr. Wilkins shall return to AT&T or an AT&T subsidiary all of AT&T's (and its subsidiaries') documents (and all copies thereof), and other property of AT&T and its subsidiaries that are in Mr. Wiklins' possession, including, but not limited to, AT&T's (and its subsidiaries') files, notes, drawings, records, business plans and forecasts, financial information, specifications, all product specifications, customer identity information, product development information, source code information, object code information, tangible property (including, but not limited to, computers), intellectual property, credit cards, entry cards, and keys; and, any materials of any kind which contain or embody Trade Secrets or Confidential Information (and all reproductions thereof), including, without limitation, any such documents and other property in electronic form, or any computer or data storage device. Mr. Wilkins shall not retain or provide to anyone else any copies, summaries, abstracts, descriptions, compilation, or other representations of such information or things or their contents.

"Trade Secret" means information proprietary to AT&T or any AT&T subsidiary including, but not limited to, technical or non-technical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, marketing plans, pricing plans, advertising and sponsorship plans, product development analyses or plans, any plans involving the combination of AT&T's or its subsidiaries' products and/or services (or pricing of products and/or services) offered or to be offered by or in conjunction with AT&T or any subsidiary of AT&T, or lists of actual or potential customers or suppliers, which: (1) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

"Confidential Information" means any data or information, other than Trade Secrets, that is competitively sensitive to AT&T or an AT&T subsidiary and not generally known by the public. To the extent consistent with the foregoing definition, Confidential Information includes, without limitation: (1) the sales records, profit and performance records, pricing manuals, sales manuals, training manuals, selling and pricing procedures, and financing methods of AT&T or any AT&T subsidiary, (2) customer lists, the special demands of particular customers, and the current and anticipated requirements of customers for the products and services of AT&T or any AT&T subsidiary, (3) the specifications of any new products or services under development by AT&T or any AT&T subsidiary, (4) the sources of supply for integrated components and materials used for production, assembly, and packaging by AT&T or any AT&T subsidiary, and the quality, prices, and usage of those components and materials, and (5) the business plans, marketing strategies, promotional and advertising strategies, branding strategies, and internal financial statements and projections of AT&T or any AT&T subsidiary.

Notwithstanding the definitions of Trade Secrets and Confidential Information set forth above, Trade Secrets and Confidential Information shall not include any information: (1) that is or becomes generally known to the public, (2) that is developed by Mr. Wilkins after the termination of his consulting relationship through his entirely independent efforts without use of any Trade Secret or Confidential Information, (3) that Mr. Wilkins obtains from an independent source having a bona fide right to use and disclose such information, (4) that is required to be disclosed by subpoena, law, or similar legislative, judicial, or administrative requirement; provided, however, Mr. Wilkins will notify Company upon receipt of any such subpoena or similar request and give Company a reasonable opportunity to contest or otherwise oppose the subpoena or similar request, or (5) that AT&T approves for unrestricted release by express authorization of a duly authorized officer.

It is hereby agreed that Mr. Wilkins may represent himself as a former employee or retiree of Company or AT&T; but otherwise he agrees that he will not make, nor cause to be made any public statements, disclosures or publications which relate in any way, directly or indirectly to his cessation of employment with Company without prior written approval by Company. Mr. Wilkins also agrees that he will not make, nor cause to be made any public statements, disclosures or publications which portray unfavorably, reflect adversely on, or are derogatory or inimical to the best interests of, AT&T, its subsidiaries, or their respective directors, officers, employees or agents, past, present or future.

8. Mr. Wilkins agrees that he shall not, during the twenty-four (24) months immediately following his retirement, without obtaining the written consent of Company in advance, participate in activities that constitute Engaging in Competition with AT&T or Engaging in Conduct Disloyal to AT&T, as those terms are defined below

a. "Engaging in Competition with AT&T" means engaging in any business or activity in all or any portion of the same geographical market where the same or substantially similar business or activity is being carried on by an Employer Business. "Engaging in Competition with AT&T" shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer Business. "Engaging in Competition with AT&T" shall include

representing or providing consulting services to, or being an employee or director of, any person or entity that is engaged in competition with any Employer Business or that takes a position adverse to any Employer Business.

b. "Engaging in Conduct Disloyal to AT&T" means (i) soliciting for employment or hire, whether as an employee or as an independent contractor, any person employed by AT&T or its subsidiaries during the one (1) year prior to Mr. Wiklins' retirement, whether or not acceptance of such position would constitute a breach of such person's contractual obligations to AT&T or its subsidiaries; (ii) soliciting, encouraging, or inducing any vendor or supplier with which Mr. Wilkins had business contact on behalf of any Employer Business during the two (2) years prior to Mr. Wiklins' retirement, to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with AT&T or any AT&T subsidiary; or (iii) soliciting, encouraging, or inducing any AT&T or AT&T subsidiary customer or active prospective customer with whom Mr. Wilkins had business contact, whether in person or by other media ("Customer"), on behalf of any Employer Business during the two (2) years prior to Mr. Wiklins' retirement, to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with any Employer Business, or to purchase competing goods or services from a business competing with any Employer Business, or accepting or servicing business from such Customer on behalf of himself or any other business.

c. "Employer Business" shall mean AT&T, any subsidiary of AT&T, or any business in which AT&T or an AT&T subsidiary has a substantial ownership or joint venture interest;

Mr. Wilkins acknowledges that the business of AT&T and its subsidiaries is global in scope and that the geographic and temporal limitations set forth in this Section are therefore reasonable.

Mr. Wilkins may submit a description of any proposed activity in writing to Company (attn: Vice President – Executive Compensation), and Company shall advise Mr. Wilkins, in writing, within (15) fifteen business days whether such proposed activity would constitute a breach of the provisions of this Section.

9. Mr. Wilkins acknowledges and agrees that Company would be unwilling to provide the consideration provided pursuant to this Agreement and the Release and Waiver contained herein, including, but not limited to continued access to Confidential Information and Trade Secrets, but for the confidentiality, non-solicitation, and non-compete conditions and covenants set forth in Sections 7 and 8, and that these conditions and covenants are a material inducement to AT&T's willingness to enter into this Agreement. Accordingly, Mr. Wilkins shall return to Company any consideration received pursuant to this Agreement and the Release and Waiver contained herein, and agrees that Company may, in its sole discretion, terminate his Services, for any breach by Mr. Wilkins of the provisions of Section 7 or 8 hereof, or of the Release and Waiver contained herein. Further, Mr. Wilkins recognizes that any breach by him of the provisions in Sections 7 or 8 would cause irreparable injury to Company such that monetary damages would not provide an adequate or complete remedy. Accordingly, in the event of Mr. Wiklins' actual or threatened breach of the provisions of Section 7 or 8, Company, in addition to all other rights under law or this Agreement, shall be entitled to an injunction restraining Mr. Wilkins from breaching these provisions and to recover from Mr. Wilkins its reasonable attorneys' fees and costs incurred in obtaining such remedies.

10. Mr. Wilkins declares that his decision to execute this Agreement and the Release and Waiver contained herein has not been influenced by any declarations or representations by Company, AT&T, or any AT&T subsidiary, other than the contractual agreements and consideration expressly stated herein.

Company has expressly advised Mr. Wilkins to seek personal legal advice prior to executing this Agreement and the Release and Waiver contained herein, and Mr. Wilkins, by his signature below, hereby expressly acknowledges that he was given at least twenty one (21) days in which to seek such advice and decide whether or not to enter into and execute the Release and Waiver contained herein. The parties agree that any changes to this Agreement or to the Release and Waiver contained herein made after the initial draft of this Agreement and Release and Waiver of Claims is presented to Mr. Wilkins, whether material or immaterial, do not restart the running of said twenty-one (21) day period.

Mr. Wilkins may revoke this Agreement and the Release and Waiver contained herein within seven (7) days of his execution of the Release and Waiver contained herein by giving notice, in writing, by certified mail, return receipt requested to Company at the address specified below. Proof of such mailing within said seven (7) day period shall suffice to establish revocation pursuant to this Section. In the event of any such revocation, this entire Agreement and the Release and Waiver contained herein shall be null and void, and unenforceable by either party.

11. Any notice required hereunder to be given by either party must be in writing and will be deemed effectively given upon personal delivery to the party to be notified, or five (5) days after deposit with the United States Post Office by certified mail, postage prepaid, to the other party at the addresses noted in the signature block of this Agreement.

12. The validity, interpretation, construction and performance of this Agreement and the Release and Waiver contained herein shall be governed by the laws of the State of Texas excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement and the Release and Waiver contained herein to the substantive law of another jurisdiction. To achieve certainty regarding the appropriate forum in which to prosecute and defend actions arising out of or relating to this Agreement, which the parties agree is a material condition of entering into this Agreement, the parties agree and acknowledge that (a) the sole and exclusive venue for any such action shall be an appropriate federal or state court in Dallas County, Texas, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Dallas County, Texas court, and no other, (c) such Dallas County, Texas court shall have sole and exclusive jurisdiction over the person of such parties and over the subject matter of any dispute relating hereto, and (d) that the parties waive any and all objections and defenses to bringing any such action before such Dallas County, Texas court, including but not limited to those relating to lack of personal jurisdiction, improper venue or *forum non conveniens* .

13. The terms and conditions contained in this Agreement that by their sense and context are intended to survive the termination or completion of performance of obligations by either or both parties under this Agreement shall so survive.

14. This Agreement and the Release and Waiver contained herein shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto.

15. This Agreement and the Release and Waiver contained herein constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, except that this Agreement shall not be deemed to supersede or cancel any obligations applicable to Mr. Wilkins under any AT&T or AT&T subsidiary sponsored deferred compensation plan, equity award plan, fringe benefit program, or any other AT&T or AT&T subsidiary sponsored benefit plan as to which Mr. Wilkins is a participant immediately preceding his retirement.

16. In the event any provision of this Agreement or the Release and Waiver contained herein is held invalid, void, or unenforceable, the same shall not affect in any respect whatsoever the validity of any other provision of this Agreement or said Release and Waiver, except that should said Release and Waiver be held to be invalid as applicable to and as asserted by Mr. Wilkins with regard to any claim or dispute covered thereunder, or should any part of the provisions of Sections 7, 8, or 9 of this Agreement be held invalid, void, or unenforceable as applicable to and as asserted by Mr. Wilkins, this Agreement and the Release and Waiver contained herein, at Company's option, may be declared by Company null and void. If this Agreement and the Release and Waiver contained herein are declared null and void by Company pursuant to the provisions of this Section, Mr. Wilkins shall return to Company all consideration previously received pursuant to this Agreement and the Release and Waiver contained herein.

17. This Agreement and the Release and Waiver contained herein shall inure to the benefit of and be binding upon, Company, its successors and assigns, and Mr. Wilkins and his beneficiaries, whether under the various employee benefit programs or otherwise.

*(The remainder of this page is intentionally left blank)*

18. This Agreement and the Release and Waiver contained herein shall be and hereby are declared to be null and void in the event that Mr. Wilkins does not retire from Company on or before the close of business on March 30, 2012. All payments and other consideration to be provided to Mr. Wilkins by Company are contingent upon Mr. Wiklins' retirement actually becoming effective on or before the close of business on March 30, 2012, and are further contingent upon Mr. Wiklins' execution of this Agreement no later than March 30, 2012 and the Release and Waiver contained herein on March 30, 2012, and not revoking either this Agreement or the Release and Waiver contained herein.

AT&T Management Services, L.P.
208 South Akard Street
Room 3703
Dallas, TX 75202

By: William A. Blase, Jr.
Title: Senior Executive Vice President-
Human Resources

Date: _____

Rayford Wilkins, Jr.
5112 Palomar Lane
Dallas, TX 75229

Rayford Wilkins, Jr.

Date: _____

RELEASE AND WAIVER

I, Rayford Wilkins, Jr., hereby fully waive and forever release and discharge Company, AT&T, any and all other subsidiaries of Company and of AT&T, their officers, directors, agents, servants, employees, successors and assigns and any and all employee benefit plans maintained by AT&T or any subsidiary thereof and/or any and all fiduciaries of any such plan from any and all common law and/or statutory claims, causes of action or suits of any kind whatsoever arising from or in connection with my past employment by Company (and any AT&T subsidiary to the extent applicable) and/or my separation therefrom, including but not limited to claims, actions, causes of action or suits of any kind allegedly arising under any federal, state, or local law, regulation, ordinance, or ruling, including, without limitation, the Employee Retirement Income Security Act (ERISA), as amended, 29 USC §§ 1001 et seq.; the Rehabilitation Act of 1973, as amended, 29 USC §§ 701 et seq.; the Civil Rights Acts of 1866 and 1870, as amended, 42 USC §§ 1981, 1982 and 1988; the Civil Rights Act of 1871, as amended, 42 USC §§ 1983 and 1985; the Civil Rights Act of 1964, as amended, 42 USC § 2000d et seq.; the Civil Rights Act of 1991; the Equal Pay Act; the Consolidated Omnibus Reconciliation Ac; the Family and Medical Leave Act; the Fair Credit Reporting Act; the Americans With Disabilities Act, as amended, 42 USC §§ 12101 et seq., and the Age Discrimination in Employment Act of 1967 (ADEA), as amended, 29 USC §§ 621 et seq., known and unknown. In addition, I, Rayford Wilkins, Jr., agree not to file any lawsuit or other claim seeking monetary damage or other relief in any state or federal court or with any administrative agency (except as provided in the Agreement delivered by Company contemporaneously with this Release and Waiver (the "Agreement")) against any of the aforementioned parties in connection with or relating to any of the aforementioned matters. Provided, however, by executing this Release and Waiver, I, Rayford Wilkins, Jr., do not waive rights or claims that may arise after the date of execution; provided further, however, this Release and Waiver shall not affect my right to receive or enforce through litigation, any indemnification rights to which I am entitled as a result of my past employment by Company and, if applicable, any subsidiary of AT&T, or contract rights pursuant to the Agreement entered into substantially contemporaneously herewith; and, provided further, this Release and Waiver shall not affect the ordinary distribution of benefits/entitlements, if any, to which I am entitled upon retirement from Company; it being understood by me that said benefits/entitlements, if any, will be subject to and provided in accordance with the terms and conditions of the respective governing plan document and to the extent applicable, this Agreement.

_____

Rayford Wilkins, Jr.

Dated: March 30, 2012

PACIFIC TELESIS GROUP
EXECUTIVE SUPPLEMENTAL CASH BALANCE PLAN

(Amended as of July 1, 1996)

## SECTION 1 INTRODUCTION AND PURPOSE

### Section 1.1 Introduction

The Pacific Telesis Group Executive Supplemental Pension Plan (the "Executive Plan") was adopted as of July 1, 1995 to merge the Pacific Telesis Group Executive Non-Salaried Pension Plan (a "Predecessor Plan") and the Pacific Telesis Group Supplemental Executive Retirement Plan (a "Predecessor Plan") into a single plan and to include the minimum pension and related welfare and surviving spouse benefits previously provided by the Pacific Telesis Group Senior Management Long Term Disability and Survivor Protection Plan (a "Predecessor Plan"). The benefits provided by the Executive Plan are substantially similar to the benefits provided by the Predecessor Plans. The Board of Directors of the Company adopted resolutions on March 22, 1996, authorizing the incorporation of a cash balance formula and renaming the Executive Plan the Pacific Telesis Group Executive Supplemental Cash Balance Plan. The terms of the Executive Plan, as amended, apply to each Participant whose Termination of Employment occurs on or after March 22, 1996. Capitalized terms are defined in Section 12.

### Section 1.2 Purpose

The purpose of the Executive Plan is to assist Participating Companies in attracting and retaining highly competent senior managers by providing certain unfunded pension benefits to eligible Executives. The benefits provided by the Executive Plan, when aggregated with the benefits provided by the Salaried Pension Plan, are intended to provide the Executive with approximately the same benefit that the Executive would have been entitled to receive under the Salaried Pension Plan if the Salaried Pension Plan (i) recognized total base pay (whether or not deferred) and short term incentive awards as compensation for purposes of benefit calculation and (ii) were not subject to any legal limitations on the amount of benefits that could be paid under such plan. In addition, the Executive Plan provides minimum pensions and welfare benefits to certain eligible Executives.

## SECTION 2 ELIGIBILITY

### Section 2.1 Participation

An Executive or a former Executive who is a Participant in the Executive Plan on March 22, 1996 shall be an Existing Participant in the Executive Plan as amended. Any other Employee who is designated as eligible to participate in the Executive Plan after June 30, 1996 shall become a Participant immediately upon being so designated. Participation shall cease at the Participant's Termination of Employment unless the Participant is then eligible for benefits under the Executive Plan.

### Section 2.2 Mandatory Retirement

Each Participant subject to a Mandatory Retirement Age shall cease to be eligible for continued employment by a Participating Company no later than the last day of the month in which such Participant attains the Mandatory Retirement Age.

### Section 2.3 Eligibility For Executive Pension

2.3 (a) Requirements. A Participant shall be eligible for an Executive Pension:

(1) at Termination of Employment, if the Participant is eligible for a pension under the Salaried Pension Plan without regard to any minimum benefits or early retirement window benefits which change the usual eligibility requirements for pensions under the Salaried Pension Plan;

(2) at Termination of Employment, if the Participant is eligible for an Officer Minimum Benefit under Section 3.4; or

(3) before Termination of Employment, but only if a Participant who is not subject to the Mandatory Retirement Age requirements becomes eligible for an in-service pension under the Salaried Pension Plan. In such a case, the Participant's Executive Pension shall be redetermined upon Termination of Employment, under procedures applicable to the Participant's Qualified Pension Benefit as provided under the Salaried Pension Plan.

2.3 (b) Prior Participants. All Participants who were retired or terminated former Executives as of the initial Effective Date of the Executive Plan shall continue to be entitled to receive the benefits they were receiving or entitled to receive under the terms of the Predecessor Plans. Each other Participant who retired or terminated employment on or after the initial Effective Date, but before March 22, 1996, shall continue to be entitled to receive the benefits he or she was receiving or entitled to receive under the terms of the Executive Plan as in effect at such Participant's Termination of Employment.

### Section 2.4 CFEP Executive

A Participant who is a Select Officer will become a CFEP Executive as of the date of such Participant's Termination of Employment, provided:

(a) the Participant executes an acknowledgment within the applicable election period defined in the acknowledgment, as that may be amended, confirming the Participant's intent to defer Termination of Employment to the Intended Termination Month specified in the acknowledgment;

(b) the Participant terminates employment in the Intended Termination Month or dies while an Employee prior to the Intended Termination Month;

(c) the cashout value of the Total Benefit determined by using the CFEP Factor under the Basic Benefit formula in Section 3.3, the Officer Minimum Benefit formula under Section 3.4, or the Officer Supplemental Benefit formula under Section 3.6, whichever is the greatest, is greater than the balance of the Participant's Executive Account at the Participant's Termination of Employment; and

(d) the Participant (or surviving spouse, in the event of the Participant's death) elects to receive a cashout payment of the accelerated transition benefit payable under the Salaried Pension Plan.

## SECTION 3 EXECUTIVE PENSION

### Section 3.1 Amount

The Executive Pension payable to a Participant at the Participant's Annuity Start Date shall be equal to the Participant's Total Benefit determined under Section 3.2 below, reduced by the Participant's Qualified Pension Benefit. The Executive Pension payable to the surviving spouse of a Participant who dies before his or her Annuity Start Date shall be equal to the surviving spouse's Total Benefit determined under Section 6 below, reduced by the surviving spouse's Qualified Pension Benefit. If a Participant who dies before his or her Annuity Start Date does not leave a surviving spouse, the Executive Pension attributable to such Participant shall be equal to the excess, if any, of the Participant's Executive Account over his or her Account under the Salaried Pension Plan, determined at the distribution date, and shall be payable to the Participant's estate.

Section 3.2 Applicable Formula for Total Benefit

The Total Benefit of a Participant who is an Executive at Termination of Employment shall be computed as follows:

3.2(a) Participant on March 22, 1996.

(1) The Total Benefit of an Existing Participant payable at the Participant's Annuity Start Date shall be determined under whichever of the following formulas would provide the greatest benefit when expressed as a monthly pension for the Participant's life commencing at the Participant's Termination of Employment:

(A) the Basic Benefit under Section 3.3, if eligible therefor;

(B) the Officer Minimum Benefit under Section 3.4, if eligible therefor;

(C) the Cash Balance Benefit under Section 3.5; or

(D) the Officer Supplemental Benefit under Section 3.6.

(2) If an Existing Participant other than a Participant described in paragraph (1) above is also a CFEP Executive, the Total Benefit payable at the Participant's Annuity Start Date shall be determined under whichever of the following formulas would provide the greatest cashout value at the Participant's Termination of Employment determined by using the CFEP Factor:

(A) the Basic Benefit under Section 3.3, if eligible therefor;

(B) the Officer Minimum Benefit under Section 3.4, if eligible therefor; or

(C) the Officer Supplemental Benefit under Section 3.6.

(3) The Total Benefit determined under Section 3.3 or 3.4 shall be reduced for early payment as provided in the applicable section. A Participant's Qualified Pension Benefit shall be reduced for early payment to the extent provided under the Salaried Pension Plan. A Participant's Executive Pension shall be paid in the form and at the time provided in Section 4 and may be subject to special increases as described in Section 3.7 below.

3.2(b) Participation Commences after Effective Date. The Total Benefit payable at the Annuity Start Date of an Employee who becomes a Participant after June 30, 1996 shall be the Cash Balance Benefit determined under Section 3.5 at the Participant's Annuity Start Date.

3.2(c) Participant Not An Executive At Retirement. If a Participant is not an Executive at his or her Termination of Employment, but was an Executive during some previous period, the Participant's Total Benefit shall be determined as set forth in this Section 3.2, except that, to the extent applicable, (i) the Years of Credited Service under the Basic Benefit shall be determined as though the Participant's Termination of Employment occurred on the date that he or she ceased serving as an Executive, (ii) the Participant shall not be eligible for the Officer Minimum Benefit or the Officer Supplemental Benefit, and (iii) the Executive Pension shall not be subject to special increases under Section 3.7 below. The Participant's actual service and age shall be used under Section 3.3(c) to determine the appropriate early payment discount for the Regular Basic Benefit.

Section 3.3 Basic Benefit

The Basic Benefit is the sum of the Participant's Regular Basic Benefit and his or her Imputed Basic Benefit.

3.3(a) Eligibility for Regular Basic Benefit. An Employee who is or was an Executive shall be eligible for a Regular Basic Benefit if the Participant is eligible for a Qualified Pension Benefit.

3.3(b) Amount of Regular Basic Benefit. A Participant's Regular Basic Benefit shall be a monthly pension equal to:

(1) two percent (2%) of the sum of the Participant's Final Average Monthly Base Pay determined over the 60-month period ending June 30, 1996 or, if earlier, the Participant's Termination of Employment during the period beginning March 22, 1996 and ending June 30, 1996, and his or her Final Average Monthly STIP Awards determined over the 60-month period ending June 30, 1996 or, if earlier, the Participant's Termination of Employment during the period beginning March 22, 1996 and ending June 30, 1996; multiplied by

(2) the Participant's Years of Credited Service as of June 30, 1996 or, if earlier, as of the Participant's Termination of Employment during the period beginning March 22, 1996 and ending June 30, 1996. A Participant's Regular Basic Benefit shall be adjusted for early payment under Section 3.3(c) below.

3.3(c) Adjustments to Regular Basic Benefit. A Participant's Regular Basic Benefit shall be adjusted as follows based on the Participant's service at his or her Termination of Employment.

(1) Early Payment. A discount equal to 1/12th of 2% will apply for each full or partial month down to age 50 prior to the month in which the Participant is at least 55 with a Term of Employment of not less than 20 years or, if earlier, the date on which the Employee is at least 65 with a Term of Employment of not less than five years. If the Participant is less than 50 at his or her Annuity Start Date, an additional discount equal to 1/12th of 4% will apply for each full or partial month down to age 45 prior to the month in which the Participant is 50. If the Participant is less than 45 at his or her Annuity Start Date, a further additional discount equal to 1/12th of 8% will apply to each full or partial month down the Participant's age at his or her Annuity Start Date prior to the month in which the Participant is 45.

(2) Exceptions. No adjustment shall be made if the Participant has at least 10 Years of Officer Service and if, at the time of his or her Termination of Employment, the Participant is at least 55 years of age and is an Officer. In addition, no adjustment shall be made if the Participant's Term of Employment is at least 30 years; the Participant is at least 55 with a Term of Employment of not less than 20 years; or the Participant is at least 65 and vested under the Salaried Pension Plan.

(3) Minimum and Window Benefits. A Participant's Regular Basic Benefit shall not be increased for any minimum or early retirement window benefit that may be available under the Salaried Pension Plan unless the Executive Plan is amended accordingly. In no event shall a Participant's Regular Basic Benefit at his or her Annuity Start Date be less than the Regular Basic Benefit accrued under the Executive Plan at any earlier time, determined as though the Participant had terminated employment at the earlier time and as though the Executive Plan had always been in existence.

3.3(d) Eligibility for Imputed Basic Benefit. A Participant who was a PacTel Employee before the Separation Date shall be eligible for an Imputed Basic Benefit if he or she received allocations of basic, variable or transition contributions under the PacTel Retirement Plan while deferring compensation under the Pacific Telesis Group Executive Deferral Plan.

3.3(e) Amount of Imputed Basic Benefit. A Participant's Imputed Basic Benefit shall be a monthly pension whose Present Value at the Participant's Annuity Start Date is equal to:

(1) the sum of the amounts actually deferred under the Pacific Telesis Group Executive Deferral Plan attributable to base salary and Short Term Incentive Plan

awards for each year between January 1, 1987, and the Separation Date multiplied by the sum of the basic, variable and transition contribution rates in effect under the PacTel Retirement Plan for each of those years; plus

(2) Interest on such contributions to the Participant's Annuity Start Date.

Section 3.4 Officer Minimum Benefit

The Officer Minimum Benefit provides a monthly pension to certain Executives who serve as Officers.

3.4(a) Eligibility for Officer Minimum Benefit. A Participant is eligible for an Officer Minimum Benefit if:

(1) the Participant became an Officer on or before January 24, 1992;

(2) the Participant completes at least 10 Years of Officer Service at his or her Termination of Employment;

(3) at the time of his or her Termination of Employment, the Participant is at least 55 years of age and is an Officer; and

(4) in the case of a Participant whose Years of Officer Service were interrupted for any period of longer than six (6) months, the Participant thereafter completes at least 5 Years of Officer Service.

3.4(b) Amount of Officer Minimum Benefit. An eligible Participant's Officer Minimum Benefit shall be a monthly pension equal to:

(1) 45% of the sum of the Officer's Final Average Monthly Base Pay and Final Average Monthly STIP Award determined over the 60-month period ending June 30, 1996 or, if earlier, the Participant's Termination of Employment during the period beginning March 22, 1996, but ending June 30, 1996; reduced by

(2) the sum of the Officer's PacTel Account Benefit, if any, and PacTel Pension Benefit, if any.

The percentage in paragraph (1) above shall be increased by 1% (up to a maximum of 50% for 15 or more Years of Officer Service) for each whole Year of Officer Service that an Officer has completed as of June 30, 1996 in excess of 10 Years of Officer Service. The percentage in paragraph (1) shall not be increased beyond 45% for any Years of Officer Service completed after June 30, 1996.

Section 3.5 Cash Balance Benefit

The Cash Balance Benefit of a Participant shall be a monthly pension payable for the Participant's life determined by dividing the Participant's Executive Account described in subsection (a) below at the applicable determination date by the product of the Standard Factor based on the Participant's age and 12. For purposes of determining which benefit formula provides the largest Total Benefit under Section 3.2(a)(1), the applicable determination date shall be the Participant's Termination of Employment. If a Participant's Total Benefit at the Annuity Start Date is determined under the cash balance benefit formula, the applicable determination date for computing the amount payable shall be the Participant's Annuity Start Date.

3.5(a) Executive Account. A hypothetical Executive Account shall be established for each Employee who is a Participant on or after March 22, 1996. As of any determination date, the value of a Participant's Executive Account shall be equal to the sum of:

(1) the Pay-based credits allocated to the Participant's Executive Account under subsection (b) below;

(2) to the extent the Participant is eligible, the opening account balance credited under subsection (c) below;

(3) any benefit in the nature of a cash balance benefit that is transferred to the Executive Plan from the Mid-Career Plan or the Excess Plan that is credited under subsection (e) on behalf of an Employee who becomes a Participant; and

(4) Cash Balance Interest credited under subsection (d).

3.5(b) Pay-based Credits. As of the end of each month after June 1996, a Participant's Executive Account shall be credited with an amount equal to the sum of the Participant's Basic Rate and Supplementary Rate times the Participant's Pay for such month to the extent such Pay represents compensation for services performed as an Executive.

3.5(c) Opening Balance. An opening balance will be established as of the Effective Date for each Existing Participant. The amount of the opening balance will be the sum of (w) times (z) and (x) times (y) times (z) where:

(w) is the percentage factor from the Accumulation Table in Appendix A to the Salaried Pension Plan based on the Participant's service as of June 30, 1996;

(x) is the Participant's Supplementary Rate;

(y) is the percentage factor from the Accumulation Table in Appendix B based on the Participant's service as of June 30, 1996, which shall include any service that could be bridged (as that term is described under the Salaried Pension Plan) as of June 30, 1996; and

(z) is the Participant's Cash Balance Conversion Pay.

3.5(d) Interest Credits. As of the end of each month after June 1996, a Participant's Executive Account shall be credited with Cash Balance Interest on the balance in such account at the beginning of such month.

3.5(e) Transferred Benefits.

(1) Mid-Career Plan Participant. An Employee who is appointed to an Officer position while a participant in the Mid-Career Plan shall cease participation in such plan as of the effective date of the appointment and immediately become a Participant in the Executive Plan. The Executive Account established for such a Participant shall be credited with the sum of the Participant's Mid-Career Account under the Mid-Career Plan and the Participant's Total Account under the Excess Plan as of the date the Employee becomes covered under the Executive Plan. Benefits payable at the Participant's Termination of Employment shall be paid under the Executive Plan and the Salaried Pension Plan, and the Participant shall have no further right to benefits under the Mid-Career Plan or the Excess Plan.

(2) Other Promoted Employees. If an Employee who is not a participant in the Mid-Career Plan is designated as an eligible Executive, such Employee shall become a Participant in the Executive Plan as of the effective date of the designation. The Executive Account established for such an Employee shall be credited with the balance of the Employee's Total Account under the Excess Plan as of the date the Employee becomes covered under the Executive Plan. Benefits payable at the Participant's Termination of Employment shall be paid under the Executive Plan and the Salaried Pension Plan, and the Participant shall have no further right to benefits under the Excess Plan.

3.5(f) Service Proration.

(1) A Participant's Executive Account shall be reduced under paragraph (2) below at the Participant's Termination of Employment prior to determining the applicable formula and the benefit payable if the Participant:

(A) is an Existing Participant, or

(B) was a participant in the Mid-Career Plan on March 22, 1996 or after March 22, 1996, but before July 1, 1996, and subsequently becomes a Participant in the Executive Plan, and the Participant's Termination of Employment occurs before the Participant attains age 55 and completes not less than 10 Years of Officer Service or has a Term of Employment of not less than 20 years or, if earlier, occurs before the Participant attains age 65 and has a Term of Employment of not less than five years.

(2) The Executive Account of a Participant described in paragraph (1) above, to the extent attributable to the application of the Participant's Supplementary Rate, shall be reduced by multiplying such portion by a fraction determined under (x) or (y) below, whichever produces the lower reduction, where:

(x) is a fraction, the numerator of which is the Participant's actual Years of Officer Service at Termination of Employment, and the denominator of which is the number of Years of Officer Service the Participant would have completed if the Participant had remained in service until attaining age 55 and completing 10 Years of Officer Service; and

(y) is a fraction, the numerator of which is the Participant's actual years and months in his or her Term of Employment at Termination of Employment, and the denominator of which is the number of years and months that the Participant would have completed if the Participant had remained in service until attaining age 55 and having a Term of Employment of not less than 20 years.

Section 3.6 Officer Supplemental Benefit

The Officer Supplemental Benefit provides a monthly pension to certain Executives who serve as Officers.

3.6(a) Eligibility. A Participant is eligible for a Officer Supplemental Benefit if the Participant:

(1) is an Existing Participant;

(2) completes not less than 10 Years of Officer Service or has a Term of Employment of not less than 20 years; and

(3) at the time of his or her Termination of Employment, the Participant is not less than 55 years of age and is an Officer.

3.6(b) Amount. An eligible Participant's Officer Supplemental Benefit shall be a fixed dollar amount that restores a certain percentage of the monthly pension, determined as of July 1, 1996, that would have been payable under the Salaried Pension Plan and the Executive Plan as in effect at March 21, 1996 as of the date the Participant attained age 55 and completed not less than 10 Years of Officer Service or a Term of Employment of not less than 20 years.

Section 3.7 Special Increases

Unless the Committee determines otherwise, an Executive Pension payable as a monthly pension shall be increased by the same percentage and pursuant to the same terms and conditions as set forth in the Salaried Pension Plan for ad hoc increases to monthly pensions for retired Participants or their joint annuitants.

SECTION 4. DISTRIBUTION

Section 4.1 Pensions

4.1(a) Time of Payment. A Participant's Executive Pension shall be paid or commence as of the Participant's Annuity Start Date, subject to the Committee's discretion to determine another time or times of payment.

4.1(b) Form of Payment. Subject to the Committee's discretion to determine another form of payment, a Participant may elect, prior to his or her Termination of Employment, one of the payment forms listed in paragraphs (1) through (3) for his or her Executive Pension.

(1) A single life annuity providing monthly payments over the Participant's life in the amount determined under Section 3, including any adjustment for early payment.

(2) A joint and survivor annuity providing monthly payments equal to 90% of the amount payable under paragraph (1) above over the Participant's life, with a survivor benefit to the surviving spouse equal to 50% of the monthly pension payable during the Participant's lifetime. If the spouse dies during the Participant's lifetime, the Participant's monthly pension shall be increased to 100% of the single life annuity payable under paragraph (1) above as of the month following the month in which the spouse dies.

(3) 120 equal monthly payments. The amount of the monthly payment shall be determined by dividing the cashout value determined under subsection (d) below (using the Standard Factor or the CFEP Factor, as applicable) by a conversion factor supplied by the actuaries of the Executive Plan. If the Participant dies before receiving all payments, the monthly payments shall continue to be paid to the Participant's surviving spouse unless the surviving spouse makes a written election to receive the present value of the remaining payments in a lump sum payment and the Committee consents. If no spouse survives, the present value of the remaining payments (determined by using the Applicable Interest Rate as of the effective date of the payment) shall be paid to the Participant's estate as soon as practicable after the Participant's death.

4.1(c) Committee's Final Determination. If the Participant does not elect one of the alternative forms of payment listed in subsection (b) above before his or her Termination of Employment, or if the Committee does not consent to the form of payment elected by the Participant, then the Committee shall determine, in its sole discretion, the form of payment for the Participant's Executive Pension and the appropriate adjustment to its amount.

4.1(d) Lump Sum Determination. If the Committee, in its sole discretion, determines that a Participant's Executive Pension shall be paid in a lump sum, the amount of such benefit shall be calculated as follows:

(1) If the Participant's Total Benefit is determined under the Cash Balance Benefit formula, the Executive Pension payable as a lump sum shall equal the excess of the Participant's Executive Account over the Participant's Account under the Salaried Pension Plan.

(2) If the Participant's Total Benefit is determined under the Basic Benefit formula, the Officer Minimum Benefit formula or the Officer Supplemental Benefit formula, and the Participant is not a CFEP Executive, the Executive Pension payable as a lump sum shall equal the Present Value of the Participant's Total Benefit under the applicable formula determined by using the Standard Factor for the Participant's age at the Annuity Start Date less the Participant's Qualified Pension Benefit. If the Participant is a CFEP Executive, the Executive Pension payable as a lump sum shall equal the Present Value of the Participant's Total Benefit under the applicable formula determined by using the CFEP Factor at the Annuity Start Date less the Participant's Qualified Pension Benefit.

4.1(e) Limitation. Notwithstanding subsection (b) above, if a Participant receives his or her Qualified Pension Benefit as a lump sum, and the lump sum value of his or her benefits under all nonqualified pension plans sponsored by the Company, including the Executive Plan, is less than $50,000 at the Participant's Annuity Start Date, the Participant's Executive Pension shall be paid to the Participant in a lump sum at the same time as the Participant's Qualified Pension Benefit.

Section 4.2 Notification Of and Application For Benefits

The Plan Administrator may notify the Participant of the amount of his or her Executive Pension and may require the Participant to apply for benefits under the Executive Plan.

Section 4.3 Deferred Payment Date

If a Participant's Qualified Pension Benefit is payable as an accelerated transition benefit, and the Participant fails to consent to an immediate distribution as of his or her Annuity Start Date, the commencement of his or her Executive Pension also shall be delayed, and any unpaid monthly benefits under this Executive Plan from the Annuity Start Date to the date that the Executive Pension actually starts shall be paid to the Participant in a single sum without interest when payment commences.

Section 4.4 Death Following Annuity Start Date

If a Participant dies before the Executive Pension commences, but after his or her Annuity Start Date (so that a surviving spouse benefit is not payable under Section 6), the Participant's Executive Pension shall be paid in the form previously elected, or deemed elected under Section 4.1(b) as soon as practicable after the Participant's death, unless the Committee determines another time and form of payment. If the Participant had elected a life annuity, unpaid monthly benefits from the Participant's Annuity Start Date to the date of death shall be payable to the Participant's estate or to such other person or persons as are entitled to the Participant's property under applicable law. If the Participant had elected a joint and survivor annuity, unpaid monthly benefits from the Participant's Annuity Start Date to the date of death shall be payable to the Participant's joint annuitant and the survivor portion of such annuity shall be payable to the joint annuitant as of the date of the Participant's death.

SECTION 5 WELFARE BENEFITS FOR CERTAIN PARTICIPANTS

Section 5.1 Eligibility

A Participant is eligible for benefits under this section after his or her Termination of Employment if he or she is not eligible for retiree welfare benefit coverage under the Company's group welfare benefit plans but is:

(a) at least 62 years of age at Termination of Employment and has a Term of Employment of at least 5 years; or

(b) at least 55 years of age and an Officer at Termination of Employment and has at least 10 Years of Officer Service.

Section 5.2 Benefits

An eligible Participant under Section 5.1 above shall be entitled to life insurance benefits which are equivalent to the benefits which would have been provided to the Participant under the Company's group life insurance plans if he or she had been eligible for a service pension under the Salaried Pension Plan as in effect at March 21, 1996. In addition, an eligible Participant under Section 5.1(b) above shall be entitled to medical and dental benefits which are equivalent to the benefits which would have been provided to the Participant under the Company's group medical and dental benefit plans if he or she had been eligible for a service pension under the Salaried Pension Plan as in effect at March 21, 1996.

SECTION 6 DISTRIBUTION AT PARTICIPANT'S DEATH

Section 6.1 Dies After Annuity Start Date

If the Participant cashed out his or her Executive Pension before death, no additional benefits shall be payable under the Executive Plan at the Participant's death except as provided in Section 7, to the extent applicable. If the Participant was receiving his or her Executive Pension in the form of a monthly pension under a single life annuity at his or her death, all payment shall cease as of the end of the month in which the Participant's death occurs. If the Participant was receiving his or her Executive Pension as a joint and survivor annuity, or under the 120 monthly payment option at death, payment of the Executive Pension shall continue as provided in Section 4.1(b)(2).

Section 6.2 Dies Before Annuity Start Date

6.2(a) Existing Participants. If an Existing Participant dies before his or her Annuity Start Date, the Total Benefit of the surviving spouse shall be determined as provided in this subsection (a).

(1) Amount. If an Existing Participant was not a Select Officer described in subparagraph (2) below at his or her death, the Total Benefit at the surviving spouse's Annuity Start Date shall be the Regular Surviving Spouse Benefit under Section 6.3(a) below if such benefit, determined at the Participant's death, is greater than the Surviving Spouse Cash Balance Benefit under Section 6.4(a) when expressed as a monthly pension payable for the life of the surviving spouse, commencing at the Participant's death. The Total Benefit at the surviving spouse's Annuity Start Date shall be the Surviving Spouse Cash Balance Benefit under Section 6.4(a) if such benefit, determined at the Participant's death, is greater than the Regular Surviving Spouse Benefit under Section 6.3(a) when expressed as a monthly pension payable for the life of the surviving spouse, commencing at the Participant's death.

(2) Select Officer Benefit. If an Existing Participant was a Select Officer at his or her death, had executed the required acknowledgment described in Section 2.4 within the applicable period, but died prior to the Intended Termination Month, the Participant shall be deemed a CFEP Executive. In that case, the Total Benefit of the surviving spouse of such a Participant at the surviving spouse's Annuity Start Date shall be the cashout value of Regular Surviving Spouse Benefit under Section 6.3(a), determined at the Participant's death by using the CFEP Factor, if such amount is greater than the balance of the Existing Participant's Executive Account at the Participant's death. Otherwise, the Total Benefit at such spouse's Annuity Start Date shall be the Surviving Spouse Cash Balance Benefit under Section 6.4.

6.2(b) New Hires. If a Participant, other than an Existing Participant, dies before his or her Annuity Start Date, the Total Benefit payable at the surviving spouse's Annuity Start Date shall be the Surviving Spouse Cash Balance Benefit under Section 6.4(a), provided such spouse is eligible for a Qualified Plan Benefit.

6.2(c) No Surviving Spouse. If no spouse survives a Participant, an amount equal to the excess of the Participant's Executive Account over his or her Account under the Salaried Pension Plan, determined as of the date of distribution, shall be paid to the Participant's estate as soon as practicable after the Participant's death.

Section 6.3 Regular Surviving Spouse Benefit

6.3(a) Amount. The Regular Surviving Spouse Benefit determined at the applicable date shall be equal to the survivor portion of the joint and survivor annuity that would have been payable under the Basic Benefit formula, the Officer Minimum Benefit formula, or the Officer Supplemental Benefit formula, as applicable, if the Participant had started receiving such benefit in the form of a joint and survivor annuity on the day of his or her death and then immediately died. For this purpose, the joint and survivor annuity shall be deemed to be 90% of the monthly pension payable over the Participant's life under Section 3.3, 3.4 or 3.6, as applicable. A Participant's pension determined under Section 3.3 (Basic Benefit) shall be adjusted for early payment to the extent applicable under Section 3.3(c)(1) except if, at the time of his or her death, the Participant was an Employee and (i) had attained age 65 and was vested in his or her Qualified Pension Benefit or (ii) had a Term of Employment of not less than 15 years. For purposes of determining the applicable formula for computing the surviving spouse benefit of an Existing Participant at the spouse's Annuity Start Date, the applicable determination date shall be the day of the Participant's death. For purposes of determining the amount of the surviving spouse benefit payable at the spouse's Annuity Start Date, the applicable determination date shall be the surviving spouse's Annuity Start Date.

6.3(b) Special Increases. Unless the Committee determines otherwise, a surviving spouse benefit payable as a monthly pension under this Section 6.3 shall be increased by the same percentage and pursuant to the same terms and conditions set forth in the Salaried Pension Plan for ad hoc benefit increases to surviving spouses, provided the surviving spouse would be entitled to an automatic survivor annuity under the terms of the Salaried Pension Plan as in effect at March 21, 1996.

Section 6.4 Surviving Spouse Cash Balance Benefit

6.4(a) Amount. The Surviving Spouse Cash Balance Benefit determined at the applicable date shall be a monthly pension for the life of the surviving spouse of a Participant, determined by dividing the Participant's Executive Account by the product of the Standard Factor for the surviving spouse's age at the Participant's death and 12. For purposes of determining the applicable formula for computing the surviving spouse benefit of a Participant at the spouse's Annuity Start Date, the applicable determination date shall be the day of the Participant's death. For purposes of determining the surviving spouse benefit payable at the spouse's Annuity Start Date, the applicable determination date is the surviving spouse's Annuity Start Date.

6.4(b) Special Increases. Unless the Committee determines otherwise, the surviving spouse benefit payable as a monthly pension under this Section 6.4 shall be increased by the same percentage and pursuant to the same terms and conditions set forth in the Salaried Pension Plan for ad hoc benefit increases to the monthly pensions of surviving spouses, provided the surviving spouse would be entitled to an automatic survivor annuity under the terms of the Salaried Pension Plan as in effect at March 21, 1996.

Section 6.5 Form and Time of Payment

6.5(a) General Rule. The Executive Pension payable to a surviving spouse shall be equal to the Regular Surviving Spouse Benefit or the Surviving Spouse Cash Balance Benefit, as applicable, reduced by the surviving spouse's Qualified Pension Benefit. Subject to the Committee's discretion to determine another time and form of payment, such Executive Pension shall be payable as a monthly pension for the life of the surviving spouse, commencing as of the surviving spouse's Annuity Start Date.

6.5(b) Exception. Notwithstanding the general rule in subsection (a) above, a surviving spouse of a Participant who dies prior to his or her Annuity Start Date may elect, within the election period that applies to payment of his or her benefits under the Salaried Pension Plan, to receive his or her Executive Pension in 120 equal monthly payments, subject to the Committee's discretion to determine another form. The amount of the monthly payment under the 120 payment option shall be determined by dividing the cashout value of the Executive Pension, determined by using the Standard Factor or CFEP Factor, as applicable (with respect to an Executive Pension based on a Regular Surviving Spouse Benefit) or the excess of the Participant's Executive Account over the Participant's Account under the Salaried Pension Plan (with respect to an Executive Pension based on a Surviving Spouse Cash Balance Benefit) by a conversion factor, which shall be provided by the actuaries of the Executive Plan. If the surviving spouse dies before receiving all payments, the present value of the remaining payments will be paid to the spouse's estate in a lump sum.

6.5(c) Limitation. Notwithstanding subsection (a) above, if a surviving spouse receives his or her Qualified Pension Benefit as a lump sum, and the lump sum value of his or her benefits under all nonqualified pension plans sponsored by the Company, including the Executive Plan, is less than $50,000 at the surviving spouse's Annuity Start Date, the surviving spouse's Executive Pension shall be paid to the surviving spouse in a lump sum at the same time as the surviving spouse's Qualified Pension Benefit.

6.5(d) Lump Sum Determination. If the Committee, in its sole discretion, determines that a surviving spouse's Executive Pension shall be paid in a lump sum, the amount of such benefit shall be calculated as follows:

(1) If the Executive Pension payable at the surviving spouse's Annuity Start Date is based on the Surviving Spouse Cash Balance Benefit, the lump sum amount shall equal the excess of the Participant's Executive Account over the Participant's Account under the Salaried Pension Plan at such date.

(2) If the Executive Pension payable at the surviving spouse's Annuity Start Date is based on the Regular Surviving Spouse Benefit, and the Participant is not deemed a CFEP Executive at death, the lump sum amount shall equal the Present Value of such benefit, reduced by the Present Value of the surviving spouse's Qualified Plan Benefit, both determined by using the Standard Factor for the surviving spouse's age at the Annuity Start Date. If the Participant is deemed a CFEP Executive at his or her death, the lump sum amount shall equal the Present Value of such benefit, reduced by the Present Value of the surviving spouse's Qualified Plan Benefit, both determined by using the CFEP Factor for the surviving spouse's age at the Annuity Start Date.

SECTION 7 DEATH BENEFITS

Section 7.1 Eligibility and Waiver

The beneficiary of a Participant who dies as an Executive, or who dies after Termination of Employment if the Participant was an Executive at the time of his or her Termination of Employment, shall be eligible for a death benefit under the Executive Plan if the beneficiary is eligible for death benefits under the Salaried Pension Plan. If a Participant is deemed to have waived a sickness or pensioner death benefit under the Salaried Pension Plan, then the associated death benefit under the Executive Plan also shall be deemed to have been waived.

Section 7.2 Benefits

Except as otherwise provided in this section (or elsewhere in the Executive Plan), the death benefits provided by the Executive Plan shall be determined and administered in the same manner and subject to the same terms and conditions as the accident, sickness and pensioner death benefits provided under the Salaried Pension Plan.

7.2(a) Determination of Amount. The amount of a sickness, accident or pensioner death benefit provided by the Executive Plan shall be equal to one times the Participant's Final Annual Pay, reduced by the sickness, accident or pensioner death benefit payable with respect to the Participant under the Salaried Pension Plan, as applicable. In the case of a pensioner death benefit payable under the Executive Plan, the amount based on the Participant's Final Annual Pay shall be subject to the same reductions, if any, which are applied to the Participant's pensioner death benefit under the Salaried Pension Plan.

7.2(b) Form and Time of Payment. The Committee shall determine, in its sole discretion, the time and form of payment for any death benefit paid under the Executive Plan.

7.2(c) Beneficiary. The Participant's beneficiary for purposes of this Section 7 shall be the beneficiary under the Salaried Pension Plan.

SECTION 8 RIGHTS TO BENEFITS

Section 8.1 Entitlement to Benefits.

A Participant's Executive Pension shall be based on the terms of the Executive Plan in effect at the Participant's Termination of Employment. Entitlement to a surviving spouse benefit under Section 6 or a death benefit under Section 7 shall accrue on the date such benefit becomes payable. Except as otherwise provided in the Executive Plan, entitlement to other benefits described in the Executive Plan shall accrue on the date of the Participant's Termination of Employment.

8.1(a) Assignment or Alienation. Except to the extent consistent with the requirements of section 206(d)(3) of ERISA relating to qualified domestic relations orders, no assignment or alienation of pensions or other benefits under the Executive Plan will be permitted or recognized.

8.1(b) Payments to Others. Benefits payable to an individual unable to execute a proper receipt may be paid to another person in accordance with the standards and procedures established under the Salaried Pension Plan.

Section 8.2 Effect of Reemployment

If a former Executive who is receiving an Executive Pension again becomes an Employee of any Participating Company, the monthly pension otherwise payable under the Executive Plan during the period of reemployment shall be suspended and forfeited. At the Executive's subsequent Termination of Employment, his or her Executive Pension shall be recalculated, as determined by the Committee, in the manner prescribed under the Salaried Pension Plan and the Excess Plan for redetermining pensions following reemployment and for adjusting such pensions for prior Executive Plan payments.

Section 8.3 Forfeiture for Misconduct

Notwithstanding any other provision of the Executive Plan, all or a portion of the benefits that a Participant or his or her surviving spouse, joint annuitant or beneficiaries would otherwise be eligible to receive under the Executive Plan may be forfeited, in the sole discretion of the Company's Board of Directors, if the Participant is discharged by a Participating Company for cause or a determination is made by the board of directors of a Participating Company that the Participant engaged in misconduct in connection with his or her employment by that Participating Company.

Section 8.4 Waiver in Absence of Claims Release

In case of an accident resulting in the death of a Participant which entitles his or her beneficiaries to death benefits under the Executive Plan, the beneficiaries shall, prior to the payment of any death benefits, sign a release releasing the Company or other Participating Company, as applicable, from all claims and demands which the Participant and the beneficiaries had or may have against it on account of the accident, other than claims for benefits under the Executive Plan or under any other plan maintained by the Company or a Participating Company. If any persons other than the beneficiaries under the Executive Plan might legally assert claims against a Participating Company on account of the death of the Participant, no death benefit shall be due or payable until there have also been delivered to the Committee good and sufficient releases of all claims, arising from or growing out of the death of the Participant, which such other persons might legally assert against the Participating Company. The Committee, in its discretion, may require that the releases described above also release any other company connected with the accident, including any company participating in the Executive Plan or the Salaried Pension Plan, and any company with which arrangements have been made, directly or indirectly, for the interchange of benefit obligations as described in the Salaried Pension Plan. The determination of whether or not a death is due to accident for purposes of this Section 8.4 shall be made by the Committee in the manner provided in the Salaried Pension Plan.

Section 8.5 Waiver by Damage Claims or Suits

Should a claim be presented or suit brought against the Company or any Participating Company, other than under the Executive Plan, for damages on account of the death of an individual who was at any time a Participant in the Executive Plan, no death benefits shall be payable under the Executive Plan except as provided in Section 8.6 below or unless the Committee, in its sole discretion and upon such terms as it may prescribe, waives this provision after withdrawal of the claim or dismissal of the suit.

Section 8.6 Offset for Judgment or Settlement

In case any judgment is recovered against any Participating Company or any settlement is made of any claim or suit on account of the death of an individual who was at any time a Participant in the Executive Plan, and the amount paid to the beneficiaries who would have received death benefits under the Executive Plan is less than what would otherwise have been payable under the Executive Plan, the difference between the two amounts may, in the sole discretion of the Committee, be distributed to the beneficiaries.

Section 8.7 Offset for Payments Under Law

If any benefit becomes payable to a Participant or his or her surviving spouse, joint annuitant or beneficiaries under any law now in force or hereafter enacted, and if the Committee determines that it is of the same general character as a benefit provided by the Executive Plan, then only the excess, if any, of the amount prescribed in the Executive Plan above the amount of the payment prescribed by law shall be payable under the Executive Plan. In those cases where the existence of an excess is not ascertainable by mere comparison because of such factors as differences in the beneficiaries or the time or methods of payment, the Committee shall have sole discretion to determine whether or not any excess exists and to make any adjustments necessary to carry out in a fair and equitable manner the spirit of this provision. Notwithstanding the foregoing, no benefit payable under the Executive Plan shall be reduced by reason of any governmental benefit or pension payable on account of military service, or by reason of any benefit provisions of the Social Security Act other than those related to disability.

SECTION 9 SOURCE OF BENEFIT PAYMENTS

Section 9.1 Participating Company Liability

Where a Participant's Term of Employment includes service with more than one Participating Company, or with one or more Participating Companies and one or more non-participating corporations or partnerships, the last Participating Company to employ the Participant as an Executive prior to his or her Termination of Employment with entitlement to a benefit hereunder shall be primarily liable for the full benefit payable under the Executive Plan. However, if for any reason the primarily liable Participating Company fails to make timely payment of an amount due to or on behalf of a Participant, the Company shall be secondarily liable for the obligation to pay the amount due. A Participating Company's withdrawal from participation shall not affect that company's liability hereunder. In addition, the liability of a Participating Company shall not be affected by any action or inaction (on the part of the Participant, his or her surviving spouse, joint annuitant or beneficiaries, or any company) with respect to amounts owed, including but not limited to the granting of extensions of time or other indulgences, the failure to make timely demand, the failure to make timely payment or the failure to give notices of any type, other than as prescribed in Section 10.4.

Section 9.2 All Benefits Unfunded

All benefits payable under the Executive Plan shall be paid from the Company's or Participating Company's operating expenses, through the purchase of insurance from an insurance company, or through a trust established by the Company and/or the other Participating Companies for this purpose, as the Company may determine.

Section 9.3 No Right to Company Assets

Neither an Executive nor any other person shall acquire by reason of the Executive Plan any right in or title to any assets, funds or property of the Company or any other Participating Company, including, without limiting the generality of the foregoing, any specific funds, trust accounts or assets which any Participating Company, in its sole discretion, may earmark or set aside in anticipation of a liability under the Executive Plan. A Participating Company's obligation to pay any amounts under the Executive Plan shall be unfunded as to the Executive whose rights shall be those of a general unsecured creditor.

SECTION 10 ADMINISTRATION

Section 10.1 Plan Sponsor

The Company shall be the sponsor of the Executive Plan as that term is defined in ERISA.

Section 10.2 Plan Administrator

The Executive Vice President-Human Resources of the Company shall be the Plan Administrator as that term is defined in ERISA. The Plan Administrator shall have the specific powers granted to him elsewhere in the Executive Plan and shall also have such other powers as may be necessary in order to administer the Executive Plan in his sole discretion, except for those powers granted or provided to be granted to others by the Executive Plan. The Plan Administrator shall determine conclusively for all parties all questions arising in the administration of the Executive Plan and, insofar as permitted by applicable law, any decision of the Plan Administrator shall not be subject to further review. The Plan Administrator, acting in his or her absolute discretion, shall have the duty and authority to interpret and construe the provisions of the Executive Plan and to decide all questions which may arise or be raised under the Executive Plan by any Executive, Participant, former Participant, beneficiary or any other person including, but not limited to all questions relating to eligibility to participate in the Executive Plan, the amount of service accrued by the Participant and the amount of the Executive Pension to which a Participant or his or her beneficiary may be entitled.

Section 10.3 Procedure To Approve and Deny Claims

The Committee shall have sole discretion to determine the rights of Participants (or their surviving spouses, joint annuitants or other beneficiaries) to benefits under the Executive Plan, and to authorize disbursements under the Executive Plan. In all questions relating to age and service for eligibility for any benefit under the Executive Plan, or relating to service and rates of pay for determining benefits payable under the Executive Plan, the decisions of the Committee, based upon the Executive Plan and upon the records of the Participating Companies employing the individual, shall be final insofar as permitted by applicable law. The Committee may adopt such rules of procedure as it may find appropriate. A claim for benefits under the Executive Plan shall be deemed denied unless the decision of the Committee is sent within 90 days of its receipt of the claim (or within 180 days, if the Committee extends the time by notifying the claimant in writing of the special circumstances requiring an extension and the date by which the decision is expected). If a claim is denied in whole or part by the Committee, it shall send a written decision stating (i) the specific reasons for the denial, making specific reference to pertinent provisions of the Executive Plan; (ii) what additional information, if any, would help perfect the claim for benefits; and (iii) what steps the claimant must take to submit the claim for review.

Section 10.4 Review Procedure

The Board of Directors of the Company shall serve as the final review committee, under the Executive Plan and ERISA, for the review of all claims appealed by Participants (or their surviving spouses, joint annuitants or other beneficiaries) whose initial claims for benefits have been denied, in whole or in part, by the Committee. Within 60 days after the date of a denial by the Committee, the claimant may file a written request for the Board of Directors of the Company to review the denial. Such request for review must be made in a timely manner for the purpose of seeking any further review of a decision or determining any entitlement to a benefit under the Executive Plan. In such a case, the Board of Directors of the Company shall conduct a full and fair review of the Committee's decision and notify the claimant in writing of the review decision, specifying the reasons for the decision and the provisions of the Executive Plan on which it is based. A claim shall be deemed denied unless the decision on appeal is sent within 60 days (or within 120 days, if the Board of Directors of the Company extends the time to respond by notifying the claimant in writing of the special circumstances requiring an extension of time).

Section 10.5 Further ERISA Rights

Any Participant (or surviving spouse, joint annuitant or other beneficiary) whose claim for benefits has been denied upon review shall have such further rights as are provided in section 503 of ERISA and the regulations thereunder. The Company, the Board of Directors of the Company, the Committee and the Executive Vice President-Human Resources of the Company shall retain such rights, authority and discretion as are provided or not expressly limited by section 503 of ERISA and the regulations thereunder.

Section 10.6 Named Fiduciaries

The Company, each Participating Company, the Board of Directors of the Company, the Committee and the Executive Vice President-Human Resources of the Company are each a named fiduciary to the Executive Plan as that term is used in ERISA with respect to the particular duties and responsibilities allocated to each of them. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Executive Plan.

Section 10.7 Allocation of Responsibilities

The Company, the Committee, the Executive Vice President-Human Resources of the Company and each Participating Company may designate in writing other persons to carry out their respective responsibilities under the Executive Plan and may employ persons to advise them with regard to any such responsibilities.

Section 10.8 Administrative Expenses

The expenses of administering the Executive Plan shall be apportioned among the Participating Companies, as determined by the Plan Administrator.

SECTION 11 AMENDMENT AND TERMINATION

Section 11.1 Plan Amendment

The Company may from time to time make any changes in the Executive Plan which it deems appropriate, with or without notice to Participants, by appropriate action of its Board of Directors. In addition, the Plan Administrator, with the approval of the Executive Vice President—Human Resources and General Counsel of the Company, shall be authorized to make minor or administrative changes to the Executive Plan, as well as changes dictated by the requirements of federal or state statutes applicable to the Company or authorized or made desirable by such statutes. However, in recognition of the reliance placed upon the Executive Plan and its contractual nature in inducing the change in position caused by retirement, any such change or modification shall not result in the cessation or reduction of benefits to retired individuals or their surviving spouses or joint annuitants, nor shall such modification affect the rights of any individual to any benefit to which he or she may have previously become entitled under the Executive Plan.

Section 11.2 Plan Termination

At any time, for any reason, and with or without notice to Participants, the Company retains the right to terminate the Executive Plan in whole or in part by appropriate action of its Board of Directors, and each Participating Company retains the right to withdraw from the Executive Plan. Neither termination of the Executive Plan nor withdrawal by a Participating Company shall result the cessation or reduction of benefits to any retired Participant (or his or her surviving spouse, joint annuitant or other beneficiary), or affect the rights of any individual to any benefit to which he or she may have previously become entitled under the Executive Plan. A Participating Company's withdrawal from participation shall not affect that company's liability to provide benefits to a Participant as described in Section 9.1 of the Executive Plan.

SECTION 12 DEFINITIONS

"Annuity Start Date" means the date as of which the Participant's or surviving spouse's Qualified Pension Benefit commences or is paid.

"Applicable Interest Rate" has the same meaning as under the Salaried Pension Plan.

"Basic Benefit" means the Total Benefit determined under the Basic Benefit formula, as set forth in Section 3.3.

"Basic Rate" means the uniform percentage (5%) of a Participant's Pay or Cash Balance Conversion Pay (as applicable) that is used in conjunction with a Participant's Supplementary Rate to determine the ongoing monthly Pay-based allocations credited to a Participant's Executive Account and to construct the opening balance of a Participant's Executive Account.

"Cash Balance Benefit" means the Total Benefit determined under the cash balance benefit formula, as set forth in Section 3.5.

"Cash Balance Conversion Pay" means a Participant's base pay for the 12 months ending June 30, 1996 (or, if earlier, the Participant's Termination of Employment after March 22, 1996, but before July 1, 1996), whether or not deferred, plus the Participant's Final Average Monthly STIP Awards for the 12 months ending June 30, 1996 (or, if earlier, the Participant's Termination of Employment after March 22, 1996, but before July 1, 1996), whether or not deferred. Any changes in the rate of base pay during the applicable computation period shall be taken into account.

"Cash Balance Interest" means the monthly rate of interest which, when compounded, equals the effective annual rate of interest applicable to 30-year Constant Maturity Treasury securities for the second calendar month preceding the calendar quarter containing the relevant month, provided that in no event shall the annualized rate exceed 9% in any year through the end of the year 2000.

"Cashout Factor" has the same meaning as under the Salaried Pension Plan.

"CFEP Executive" means a Select Officer who meets the requirements of Section 2.4.

"CFEP Factor" means the Cashout Factor that would have applied if the CFEP Executive had terminated employment as of December 30, 1996, but based on such Participant's age at his or her Annuity Start Date.
"Committee" means the Compensation and Personnel Committee of the Board of Directors of the Company.

"Company" means Pacific Telesis Group, a Nevada corporation, or its successors.

"Effective Date" means, with respect to the initial adoption of the Executive Plan, July 1, 1995. The Effective Date of this amendment and restatement is July 1, 1996.

"Employee" has the same meaning as under the Salaried Pension Plan.

"Employer Group" has the same meaning as under the Salaried Pension Plan.

"ERISA" means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

"Excess Plan" means the Pacific Telesis Group Excess Benefit Plan.

"Executive" means an Officer of any Participating Company or any other Employee who is designated by the Committee to be within a Participating Company's executive group for purposes of the Executive Plan.

"Executive Account" means the unfunded bookkeeping account established for each Participant to record the opening account balance, Pay-based allocations and Cash Balance Interest credits determined under Section 3.5. An account shall be maintained solely for record keeping purposes and
without segregation of any assets.

"Executive Pension" means the pension determined under Section 3.1.

"Executive Plan" means the Pacific Telesis Group Executive Supplemental Cash Balance Plan.

"Existing Participant" means an Executive who was a Participant on March 22, 1996, or who became a Participant after March 22 1996, but on or before June 30, 1996.

"Final Annual Pay," which is used in determining the death benefit in Section 7.2(a)(1), means the Participant's annual rate of base pay (whether or not deferred) on the last day he or she was on the active payroll of a Participating Company plus the Participant's annual Standard Award as determined under the Short Term Incentive Plan on the last day he or she was on the active payroll.

"Final Average Monthly Base Pay," which is used in determining the Regular Basic Benefit in Section 3.3(b)(1) and the Officer Minimum Benefit in Section 3.4(b)(1), means the average of the Participant's monthly rates of base pay, whether or not deferred, for the applicable period.

"Final Average Monthly STIP Award," as used in Section 3.3(b)(1) and Section 3.4(b)(1) means the average of the Participant's Monthly STIP Awards for the applicable period.

"Intended Termination Month" means the month specified by the Committee following the close of the merger between the Company and SBC Communications Inc., as it may be amended by agreement of the parties.

"Interest" means hypothetical earnings on an account balance, which shall be calculated in the manner determined by the Committee in its sole discretion. The Committee may, but is not required to, calculate Interest based on the interest rate used to calculate the Present Value of a Participant's Executive Pension as of a Participant's Annuity Start Date.

"Joint Venture Employer" has the meaning set forth in the Salaried Pension Plan.

"Mandatory Retirement Age" means age 65 for those Participants who meet the requirements of section 12(c)(1) of the Age Discrimination in Employment Act of 1967, as amended ("ADEA"); or as permitted under the ADEA, for those Participants for whom age is a bona fide occupational qualification within the meaning of section 4(f)(1) of the ADEA. There shall be no Mandatory Retirement Age for other Participants, if any.

"Mid-Career Account" means the hypothetical unfunded bookkeeping account established for a participant in the Mid-Career Plan.

"Mid-Career Plan" means the hypothetical unfunded bookkeeping account established for a participant in the Mid-Career Plan.

"Mid-Career Plan" means the Pacific Telesis Group Mid-Career Cash Balance Plan.

"Monthly STIP Award" means, for any month in a calendar year, 1/12 of the Participant's annual Standard Award (whether or not deferred) as set forth under the Short Term Incentive Plan for that calendar year. In the case of Participants who were Employees on the Separation Date and who had participated in the PacTel Corporation Short Term Incentive Plan, the Monthly STIP Award for any month before April 1, 1994, during such participation means 1/12 of the Participant's annual standard award under the PacTel Corporation Short Term Incentive Plan, as adjusted for changes in position rate.

"Officer" means an individual elected or appointed to, and serving in, one or more of the following positions:

(1) a position with the Company described in the bylaws of the Company as that of an officer, other than an assistant officer position;

(2) a position with Pacific Bell described in the bylaws of Pacific Bell as that of an officer, other than an assistant officer position; or

(3) a position with any Participating Company for which there is in effect a specific designation by the Committee that the position shall be considered to be that of an Officer for purposes of the benefit and retirement plans.

An Officer also means a named Employee of any Participating Company for which there is in effect a specific designation by the Committee that the named Employee shall be included in the definition of "Officer" for purposes of the benefit and retirement plans.

"Officer Minimum Benefit" means the Total Benefit determined under the Officer Minimum Benefit formula, as set forth in Section 3.3.

"Officer Supplemental Benefit" means the Total Benefit determined under the Officer Supplemental Benefit formula, as set forth in Section 3.6.

"PacTel Account Benefit," which is used to reduce the Officer Minimum Benefit in Section 3.4(b),means a monthly pension, commencing as of the Participant's Annuity Start Date, whose Present Value equals the sum of the following amounts:

(1) the value of the Basic Account under the PacTel Retirement Plan on the Separation Date, plus Interest to the Annuity Start Date;

(2) the value of the Variable Account under the PacTel Retirement Plan on the Separation Date, plus Interest to the Annuity Start Date;

(3) the value of the Transition Account under the PacTel Retirement Plan on the Separation Date, plus Interest to the Annuity Start Date;

(4) the amount of all withdrawals and distributions made from the Basic, Variable and Transition Accounts under the PacTel Retirement Plan prior to the Separation Date, plus Interest from the date of withdrawal to the Annuity Start Date; and

(5) the value of the Participant's accounts attributable to Company contributions under the PacTel Corporation Excess Benefit Plan and the PacTel Corporation Deferred Compensation Plan as of the Separation Date, other than Company "matching" contributions, plus Interest to the Annuity Start Date. (As of the Separation Date, assets and liabilities attributable to these plans were transferred to the AirTouch Communications Excess Benefit Plan.)

"PacTel Employee" means a Participant who was employed by PacTel Corporation or any of its subsidiaries (if such subsidiary was a participating company in the PacTel Corporation Employees Pension Plan) before the Separation Date.

"PacTel Pension Benefit," which is used to reduce the Officer Minimum Benefit in Section 3.4(b), means the sum of the pensions payable at age 65 that were accrued as of the Separation Date under the AirTouch Communications Employees Pension Plan (other than any pension payable under Supplements A, B and C of that plan) and the AirTouch Communications Supplemental Executive Pension Plan, except that each pension shall be adjusted for early payment, under the terms of its plan in effect at the Separation Date, as if the Participant's annuity under the plan commenced on the Participant's Annuity Start Date under those plans, if received as a service pension, or on the Annuity Start Date under this Plan, if received as a vested pension.

"PacTel Retirement Plan" means the defined contribution plan maintained by the Company before the Separation Date for the benefit of employees of PacTel Corporation and its subsidiaries. Its formal name was the PacTel Corporation Retirement Plan. (As of the Separation Date, assets and liabilities attributable to this plan were transferred to the AirTouch Communications Retirement Plan).

"Participant" means an Employee described in Section 2.1 of the Executive Plan and, to the extent that other Employees who participated in the Executive Plan or a Predecessor Plan are specifically included, such other Employees.

"Participating Companies" mean the Company and each other corporation or partnership that both (a) participates in the Salaried Pension Plan and (b) has determined, with the concurrence of the Company's Board of Directors, to participate in this Plan.

"Pay" means a Participant's base pay, whether or not deferred, plus the Participant's Standard Award, whether or not deferred. For purposes of determining the ongoing Pay-based allocations under Section 3.5, the Standard Award shall be taken into account in the month in which it is paid.

"Plan Administrator" means the Executive Vice President-Human Resources of the Company, as set forth in Section 10.2.

"Predecessor Plans" mean the Pacific Telesis Group Executive Non-Salaried Pension Plan, the Pacific Telesis Group Supplemental Executive Retirement Plan, and the minimum pension and related welfare and surviving spouse benefit provisions of the Pacific Telesis Group Executive Disability and Survivor Protection Plan (formerly called the Pacific Telesis Group Senior Management Long Term Disability and Survivor Protection Plan). It also means the predecessor plan to those plans, i.e., the Bell System Senior Management Non-Salaried Pension Plan.

"Present Value" means a single sum which is actuarially equivalent to a monthly pension commencing as of a specified date and payable for the Participant's life determined by using Standard Factors.

"Qualified Pension Benefit" means the part of a Participant's Total Benefit payable from the pension fund associated with the Salaried Pension Plan. Such benefit shall be adjusted for early payment if applicable and further adjusted for any additional pension actually payable after the Annuity Start Date due to increased limits under section 415 of the Internal Revenue Code. However, if a Participant is not an Executive at his or her Termination of Employment and if nonqualified pension benefits are payable under the Excess Plan due to limits under sections 401(a)(17) and 415 of the Internal Revenue Code, then the term Qualified Pension Benefit, for purposes of determining the appropriate offset, shall include the nonqualified pension benefits payable under the Excess Plan. Any ad hoc or other increases payable under the Salaried Pension Plan after the Annuity Start Date (other than increases due to section 415 limits) shall not be included in the amount of the Participant's Qualified Pension Benefit.

"Regular Surviving Spouse Benefit" means the Total Benefit of the surviving spouse of an Existing Participant determined under the formula set forth in Section 6.3.

"Salaried Pension Plan" means the Pacific Telesis Group Cash Balance Pension Plan for Salaried Employees.

"Select Officer" means a Participant designated by the Committee or its delegate as providing services in the position then held by the Participant that are critical to the efficient operation of the Company through, and continuing after, the merger of the Company and SBC Communications Inc.

"Separation Date" means April 1, 1994, the date as of which occurred the total and complete separation of the ownership of PacTel Corporation from the Company.

"Short Term Incentive Plan" means the Pacific Telesis Group Short Term Incentive Plan and its predecessor plan.

"Standard Award" shall have the meaning set forth in the Short Term Incentive Plan, which includes adjustments for changes in position rate.

"Standard Factor" has the same meaning as under the Salaried Pension Plan.

"Supplementary Rate" means the rate used to construct a Participant's opening account balance under Section 3.5(c) and to make ongoing Pay-based allocations to the Participant's Executive Account or Mid-Career Account. The Supplementary Rate of a Participant hired on or after July 1, 1996 shall be the percentage specified in Appendix A based on the Participant's age at hire, subject to any inconsistent or overriding provision in an employment agreement between the Participant and the Company. The Supplementary Rate of an Existing Participant shall be the rate that, in combination with the Participant's Basic Rate, is designed to provide a projected Total Benefit under the Executive Plan payable at age 65 that is a specified percentage of the projected Total Benefit that would have been payable to the Participant under the terms of the Salaried Pension Plan, Mid-Career Plan and Executive Plan as in effect at March 21, 1996. The Supplementary Rate of each Existing Participant is defined in an administrative document held by Executive Compensation and Benefits, the provisions of which are effective as of July 1, 1996, and not subject to amendment thereafter.

"Surviving Spouse Cash Balance Benefit" means the Total Benefit of the surviving spouse of a Participant determined under the cash balance benefit formula in Section 6.4.

"Term of Employment" means the number of years and months credited to the Participant as of the applicable determination date. A Participant's Term of Employment (i) includes all periods that the Participant was employed by the Company, other companies participating in the Salaried Pension Plan, certain Joint Venture Employers, and certain predecessor employers; (ii) does not include service before a break in service until such service is "bridged" as provided in the Salaried Pension Plan; and (iii) excludes any period of employment which was transferred from the Salaried Pension Plan to the PacTel Corporation Employees Pension Plan effective before the Separation Date and was included in the Participant's service recognized by that plan as of the Separation Date.

"Termination of Employment" has the same meaning as under the Salaried Pension Plan.

"Total Account" means the hypothetical unfunded bookkeeping account established for each participant in the Excess Plan.

"Total Benefit" means the benefit payable to a Participant (or surviving spouse, in the event of a Participant's death) under the Salaried Pension Plan and the Executive Plan.

"Years of Credited Service" means the number of whole and partial years credited to the Participant for purposes of calculating the monthly pension under the Salaried Pension Plan except that, as provided in Section 3.2(c) above, if a Participant is not an Executive at his or her Termination of Employment, the years so credited under the Salaried Pension Plan after the Participant ceased serving as an Executive shall be disregarded. As provided under the Salaried Pension Plan as in effect at March 21, 1996, a Participant's Years of Credited

Service (i) reflect an adjustment for part- time employment; (ii) do not include periods of service with a non-Participating Company without a transfer of assets and corresponding liabilities; (iii) do not include periods that the Participant was employed by PacTel Corporation (and its subsidiaries) between January 1, 1987, and the Separation Date unless the Participant was an Employee on the Separation Date and had been a full accrual participant under the PacTel Corporation Employees Pension Plan before the Separation Date; (iv) do not include periods of service before a break in service until such service is "bridged" as provided in the Salaried Pension Plan (provided, however, that for purposes of determining a Participant's Basic Benefit, Years of Credited Service shall include any service that could be bridged as of June 30, 1996); and (v) are limited to the greater of 30 years or the actual years accrued as of December 31, 1994.

"Years of Officer Service" means the number of whole and partial 365-day periods during which the Participant was continuously employed as an Officer of a Participating Company. In addition, Years of Officer Service include periods of service with other members of the Employer Group or Joint Venture Employers (non-Participating Companies) if such service is included in the Participant's Term of Employment and if the position in which the Participant served at the non-Participating Company is designated by the Committee to be the equivalent of an Officer position for purposes of this Plan. Such service with non-Participating Companies shall not be considered a break in the continuity of Years of Officer Service for purposes of Sections 3.3(a) and (b). If a Participant has a break in the continuity of Years of Officer Service which does not exceed six months, service before and after the break shall be included in the Participant's Years of Officer Service. However, if a Participant is reemployed after a break of more than six (6) months in the continuity of Years of Officer Service, the Participant's service before the break shall not be included in his or her Years of Officer Service until the Participant completes 5 Years of Officer Service after reemployment. Subject to these break-in-service rules, service as an Officer with a company that participated in a Predecessor Plan before the Separation Date (including PacTel Corporation) shall be included in the Participant's Years of Officer Service, regardless of whether or not such service is included in the Participant's Term of Employment after the Separation Date.

APPENDIX A -- SUPPLEMENTARY RATE

| Age at Hire | Percentage of Pay Allocation |
|---|---|
| 40 | 2.9% |
| 41 | 3.4% |
| 42 | 3.9% |
| 43 | 4.5% |
| 44 | 5.1% |
| 45 | 5.8% |
| 46 | 6.6% |
| 47 | 7.3% |
| 48 | 7.9% |
| 49 | 8.1% |
| 50 | 8.3% |
| 51 | 8.6% |
| 52 | 8.8% |
| 53 | 9.1% |
| 54 | 9.3% |
| 55 | 9.6% |
| 56 | 9.8% |
| 57 | 10.1% |
| 58 | 10.3% |
| 59 | 10.6% |
| 60 | 10.9% |

APPENDIX B -- OPENING BALANCE FACTORS

Opening Balance Factors Under 1%/8% Cash Balance Plan
(Based on Final Year's Pay and Service as of 6/30/96)

| | Months | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Years | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 0 | 0.0000 | 0.0009 | 0.0017 | 0.0026 | 0.0035 | 0.0043 | 0.0052 | 0.0061 | 0.0069 | 0.0078 | 0.0087 | 0.0095 |
| 1 | 0.0104 | 0.0113 | 0.0122 | 0.0131 | 0.0140 | 0.0149 | 0.0158 | 0.0166 | 0.0175 | 0.0184 | 0.0193 | 0.0202 |
| 2 | 0.0211 | 0.0220 | 0.0229 | 0.0239 | 0.0248 | 0.0257 | 0.0266 | 0.0275 | 0.0284 | 0.0294 | 0.0303 | 0.0312 |
| 3 | 0.0321 | 0.0331 | 0.0340 | 0.0350 | 0.0359 | 0.0369 | 0.0379 | 0.0388 | 0.0398 | 0.0407 | 0.0417 | 0.0426 |
| 4 | 0.0436 | 0.0446 | 0.0456 | 0.0466 | 0.0475 | 0.0485 | 0.0495 | 0.0505 | 0.0515 | 0.0525 | 0.0534 | 0.0544 |
| 5 | 0.0554 | 0.0564 | 0.0574 | 0.0585 | 0.0595 | 0.0605 | 0.0615 | 0.0625 | 0.0635 | 0.0646 | 0.0656 | 0.0666 |
| 6 | 0.0676 | 0.0687 | 0.0697 | 0.0708 | 0.0718 | 0.0729 | 0.0739 | 0.0750 | 0.0760 | 0.0771 | 0.0781 | 0.0792 |
| 7 | 0.0802 | 0.0813 | 0.0824 | 0.0835 | 0.0846 | 0.0857 | 0.0868 | 0.0878 | 0.0889 | 0.0900 | 0.0911 | 0.0922 |
| 8 | 0.0933 | 0.0944 | 0.0956 | 0.0967 | 0.0978 | 0.0989 | 0.1001 | 0.1012 | 0.1023 | 0.1034 | 0.1046 | 0.1057 |
| 9 | 0.1068 | 0.1080 | 0.1091 | 0.1103 | 0.1114 | 0.1126 | 0.1138 | 0.1149 | 0.1161 | 0.1172 | 0.1184 | 0.1195 |
| 10 | 0.1207 | 0.1219 | 0.1231 | 0.1243 | 0.1255 | 0.1267 | 0.1279 | 0.1291 | 0.1303 | 0.1315 | 0.1327 | 0.1339 |
| 11 | 0.1351 | 0.1363 | 0.1376 | 0.1388 | 0.1401 | 0.1413 | 0.1426 | 0.1438 | 0.1450 | 0.1463 | 0.1475 | 0.1488 |
| 12 | 0.1500 | 0.1513 | 0.1526 | 0.1539 | 0.1551 | 0.1564 | 0.1577 | 0.1590 | 0.1603 | 0.1616 | 0.1628 | 0.1641 |
| 13 | 0.1654 | 0.1667 | 0.1681 | 0.1694 | 0.1707 | 0.1720 | 0.1734 | 0.1747 | 0.1760 | 0.1773 | 0.1787 | 0.1800 |
| 14 | 0.1813 | 0.1827 | 0.1840 | 0.1854 | 0.1868 | 0.1881 | 0.1895 | 0.1909 | 0.1922 | 0.1936 | 0.1950 | 0.1963 |
| 15 | 0.1977 | 0.1991 | 0.2005 | 0.2020 | 0.2034 | 0.2048 | 0.2062 | 0.2076 | 0.2090 | 0.2105 | 0.2119 | 0.2133 |
| 16 | 0.2147 | 0.2162 | 0.2176 | 0.2191 | 0.2206 | 0.2220 | 0.2235 | 0.2250 | 0.2264 | 0.2279 | 0.2294 | 0.2308 |
| 17 | 0.2323 | 0.2338 | 0.2353 | 0.2368 | 0.2383 | 0.2398 | 0.2414 | 0.2429 | 0.2444 | 0.2459 | 0.2474 | 0.2489 |
| 18 | 0.2504 | 0.2520 | 0.2535 | 0.2551 | 0.2566 | 0.2582 | 0.2598 | 0.2613 | 0.2629 | 0.2644 | 0.2660 | 0.2675 |
| 19 | 0.2691 | 0.2707 | 0.2723 | 0.2740 | 0.2756 | 0.2772 | 0.2788 | 0.2804 | 0.2820 | 0.2837 | 0.2853 | 0.2869 |
| 20 | 0.2885 | 0.2902 | 0.2919 | 0.2935 | 0.2952 | 0.2969 | 0.2986 | 0.3002 | 0.3019 | 0.3036 | 0.3053 | 0.3069 |
| 21 | 0.3086 | 0.3103 | 0.3120 | 0.3138 | 0.3155 | 0.3172 | 0.3189 | 0.3206 | 0.3223 | 0.3241 | 0.3258 | 0.3275 |
| 22 | 0.3292 | 0.3310 | 0.3328 | 0.3346 | 0.3363 | 0.3381 | 0.3399 | 0.3417 | 0.3435 | 0.3453 | 0.3470 | 0.3488 |
| 23 | 0.3506 | 0.3524 | 0.3543 | 0.3561 | 0.3580 | 0.3598 | 0.3617 | 0.3635 | 0.3653 | 0.3672 | 0.3690 | 0.3709 |
| 24 | 0.3727 | 0.3746 | 0.3765 | 0.3784 | 0.3803 | 0.3822 | 0.3842 | 0.3861 | 0.3880 | 0.3899 | 0.3918 | 0.3937 |
| 25 | 0.3956 | 0.3976 | 0.3995 | 0.4015 | 0.4035 | 0.4054 | 0.4074 | 0.4094 | 0.4113 | 0.4133 | 0.4153 | 0.4172 |
| 26 | 0.4192 | 0.4212 | 0.4233 | 0.4253 | 0.4273 | 0.4294 | 0.4314 | 0.4334 | 0.4355 | 0.4375 | 0.4395 | 0.4416 |
| 27 | 0.4436 | 0.4457 | 0.4478 | 0.4499 | 0.4520 | 0.4541 | 0.4562 | 0.4583 | 0.4604 | 0.4625 | 0.4646 | 0.4667 |
| 28 | 0.4688 | 0.4710 | 0.4732 | 0.4753 | 0.4775 | 0.4797 | 0.4819 | 0.4840 | 0.4862 | 0.4884 | 0.4906 | 0.4927 |
| 29 | 0.4949 | 0.4971 | 0.4994 | 0.5016 | 0.5039 | 0.5061 | 0.5084 | 0.5106 | 0.5128 | 0.5151 | 0.5173 | 0.5196 |
| 30 | 0.5218 | 0.5241 | 0.5265 | 0.5288 | 0.5311 | 0.5334 | 0.5358 | 0.5381 | 0.5404 | 0.5427 | 0.5451 | 0.5474 |
| 31 | 0.5497 | 0.5521 | 0.5545 | 0.5569 | 0.5593 | 0.5617 | 0.5641 | 0.5664 | 0.5688 | 0.5712 | 0.5736 | 0.5760 |
| 32 | 0.5784 | 0.5809 | 0.5834 | 0.5859 | 0.5883 | 0.5908 | 0.5933 | 0.5958 | 0.5983 | 0.6008 | 0.6032 | 0.6057 |
| 33 | 0.6082 | 0.6108 | 0.6133 | 0.6159 | 0.6184 | 0.6210 | 0.6236 | 0.6261 | 0.6287 | 0.6312 | 0.6338 | 0.6363 |
| 34 | 0.6389 | 0.6416 | 0.6442 | 0.6469 | 0.6495 | 0.6522 | 0.6548 | 0.6575 | 0.6601 | 0.6628 | 0.6654 | 0.6681 |
| 35 | 0.6707 | 0.6734 | 0.6762 | 0.6789 | 0.6816 | 0.6844 | 0.6871 | 0.6898 | 0.6926 | 0.6953 | 0.6980 | 0.7008 |
| 36 | 0.7035 | 0.7063 | 0.7092 | 0.7120 | 0.7148 | 0.7176 | 0.7205 | 0.7233 | 0.7261 | 0.7289 | 0.7318 | 0.7346 |
| 37 | 0.7374 | 0.7403 | 0.7433 | 0.7462 | 0.7491 | 0.7520 | 0.7550 | 0.7579 | 0.7608 | 0.7637 | 0.7667 | 0.7696 |
| 38 | 0.7725 | 0.7755 | 0.7785 | 0.7816 | 0.7846 | 0.7876 | 0.7906 | 0.7936 | 0.7966 | 0.7997 | 0.8027 | 0.8057 |
| 39 | 0.8087 | 0.8118 | 0.8149 | 0.8181 | 0.8212 | 0.8243 | 0.8274 | 0.8305 | 0.8336 | 0.8368 | 0.8399 | 0.8430 |
| 40 | 0.8461 | 0.8493 | 0.8526 | 0.8558 | 0.8590 | 0.8622 | 0.8655 | 0.8687 | 0.8719 | 0.8751 | 0.8784 | 0.8816 |
| 41 | 0.8848 | 0.8881 | 0.8915 | 0.8948 | 0.8981 | 0.9015 | 0.9048 | 0.9081 | 0.9115 | 0.9148 | 0.9181 | 0.9215 |
| 42 | 0.9248 | 0.9283 | 0.9317 | 0.9352 | 0.9386 | 0.9421 | 0.9455 | 0.9490 | 0.9524 | 0.9559 | 0.9593 | 0.9628 |
| 43 | 0.9662 | 0.9698 | 0.9733 | 0.9769 | 0.9804 | 0.9840 | 0.9876 | 0.9911 | 0.9947 | 0.9982 | 1.0018 | 1.0053 |
| 44 | 1.0089 | 1.0126 | 1.0163 | 1.0199 | 1.0236 | 1.0273 | 1.0310 | 1.0346 | 1.0383 | 1.0420 | 1.0457 | 1.0493 |
| 45 | 1.0530 | 1.0568 | 1.0606 | 1.0644 | 1.0682 | 1.0720 | 1.0759 | 1.0797 | 1.0835 | 1.0873 | 1.0911 | 1.0949 |
| 46 | 1.0987 | 1.1026 | 1.1066 | 1.1105 | 1.1144 | 1.1183 | 1.1223 | 1.1262 | 1.1301 | 1.1340 | 1.1380 | 1.1419 |
| 47 | 1.1458 | 1.1499 | 1.1539 | 1.1580 | 1.1621 | 1.1661 | 1.1702 | 1.1743 | 1.1783 | 1.1824 | 1.1865 | 1.1905 |

**PACIFIC TELESIS GROUP**

**DEFERRED COMPENSATION PLAN**
**FOR**
**NON-EMPLOYEE DIRECTORS**

**(Restated as Amended as of November 17, 1995)**

1. ELIGIBILITY

Each member of the Board of Directors of Pacific Telesis Group ("PTG" or the "Company") who is not an employee of the Company, or any of its subsidiaries, is eligible to participate in a Deferred Compensation Plan for Non-Employee Directors ("Plan").

2. PARTICIPATION

(a) Prior to the beginning of any calendar year, commencing with the calendar year 1985, each eligible Director or designated Director may elect to participate in the Plan by directing that all or any part of the compensation which would otherwise have been payable currently for services as a Director (including fees payable for services as a member of a committee of the Board) during such calendar year and subsequent calendar years shall be credited to a deferred compensation account subject to the terms of the Plan. Notwithstanding the foregoing, no deferral election made under this Section 2 shall be effective with respect to compensation payable during any calendar year after 1995. [Last sentence added November 17, 1995.]

(b) An election to participate in the Plan shall be in the form of a document executed by the Director and filed with the Secretary of the Company. An election related to fees otherwise payable currently in any calendar year shall become irrevocable on the last day prior to the beginning of such calendar year. An election shall continue until a Director ceases to be a Director or until he or she terminates or modifies such election by written notice. Any such termination or modification shall become effective as of the end of the calendar year in which such notice is given with respect to all fees otherwise payable in subsequent calendar years.

(c) A Director who has filed a termination of election may thereafter again file an election to participate for any calendar year or years subsequent to the filing of such election.

3. DEFERRED ACCOUNTS

Deferred amounts shall be credited to the Director's account and shall bear interest from the date such fees would otherwise have been paid. The interest credited to the account will be compounded annually at the end of each calendar year shall be determined by the PTG Board of Directors from time to time.

4. DISTRIBUTION

(a) At the time of election to participate in the Plan, a Director shall make an election with respect to the distribution of amounts deferred under the Plan plus accumulated interest. A Director may elect to receive such amounts in one payment or in some other number of approximately level annual installments (not exceeding 15). The amount of an annual installment shall be calculated by dividing the total amount, including interest, credited to the Director's account Immediately prior to such installment by the remaining number of installments. As specified by the Director, the first installment (or the single payment if the Director has so elected) shall be paid as soon as practicable after the first day of the calendar year following (i) the calendar year in which the Director ceases to be a Director of the Company or any of its subsidiaries; (ii) the calendar year in which the Director attains a specified age (between age 59-1/2 and 75), (iii) the earlier of a specified number of years (maximum of five) after the Director ceases to be a Director of the Company or any of its subsidiaries or the attainment of age 75, or (iv) the earlier of the attainment of a specified age (but not younger than 59-1/2) or the calendar year In which the Director ceases to be a Director of the Company or any of its subsidiaries. Subsequent installments shall be paid on the first day of each succeeding calendar year until the entire amount credited to the Director's account is paid. Amounts held pending distribution pursuant to this Item shall continue to accrue interest at the rate stated in Item 3.

(b) The election with respect to the distribution of amounts deferred under the Plan plus accumulated interest shall be contained in the document, referred to in Item 2(b), executed by the Director and filed with the Secretary of the Company. Such an election related to fees otherwise payable currently in any calendar year shall become irrevocable on the last day prior to the beginning of such calendar year.

(c) Notwithstanding an election pursuant to Item 4(a), in the event a Director ceases to be a Director of the Company or any of its subsidiaries and becomes a proprietor, officer, partner, employee, or otherwise becomes affiliated with any business that is in competition with the Company or any of its subsidiaries, or becomes employed by any governmental agency having jurisdiction over the activities of the Company or any of its subsidiaries, the entire balance of deferred fees, including interest, shall be paid immediately in a single payment.

(d) A Director may elect that, in the event the Director should die before full payment of all amounts credited to the Director's account, the balance of the deferred amounts shall be distributed in one payment, or in a number of annual installments (not exceeding 10), or by a continuation of the installment distributions being made or to be made to the Director, to the beneficiary or beneficiaries designated in writing by the Director, or if no designation has been made, to the estate of the Director in a single payment. The first installment (or the single payment if the Director has so elected, shall be paid on or about the first day of the calendar quarter next following the month of death. The preceding sentence shall not apply if the beneficiary or the beneficiaries are to receive a continuation of installment distributions being made or to be made to the Director. [Entire of (d) amended December 18, 1992]

(e) For purposes of determining when a distribution shall be made under this Section 4, a member of the Board of Directors of Pacific Telesis Group who becomes a member of the Board of Directors of PacTel Corporation on or before the total and complete separation of PacTel Corporation from Pacific Telesis Group shall not be considered to have ceased to be a Director of the Company or any of its subsidiaries until he or she ceases to be a member of the Board of Directors of PacTel Corporation. [Entire of (e) added February 25, 1994.]

5. MISCELLANEOUS

(a) The rights of a Director to any deferred fees and/or interest thereon shall be those of a general creditor and shall not be subject in any manner to assignment by the Director.

(b) The Company shall not be required to reserve, or otherwise set aside, funds for the payment of its obligations hereunder. The Company's obligation to pay the deferred amounts shall be unfunded as to the Director.

(c) Copies of the Plan and any and all amendments thereto shall be made available at all reasonable times at the office of the Secretary of the Company to all Directors.

(d) The Executive Vice President, Human Resource Department of PTG, with the approval of the Executive Vice and General Counsel of PTG, shall be authorized to make minor or administrative changes to the Plan.

CONSENT OF THE
EXECUTIVE COMMITTEE OF
THE BOARD OF DIRECTORS
OF PACIFIC TELESIS GROUP
IN LIEU OF A MEETING

THE UNDERSIGNED, being all the members of the Executive Committee of the Board of Directors of Pacific Telesis Group (the "Corporation"), a Nevada corporation, do hereby consent to and deem it advisable to adopt and do hereby adopt the following resolutions, without a meeting, pursuant to Nev. Rev. Stat. ss. 78.315, which consent shall have the same force and effect as a unanimous vote at a meeting duly held.

WHEREAS, as a result of the merger on April 1, 1997, of the Corporation with SBC Communications Inc. (NV), a Nevada corporation, it is desirable to make changes to certain benefit plans of the Pacific Telesis Group:

THEREFORE, BE IT:

RESOLVED, that the Pacific Telesis Group Non-Qualified Savings Plan be, and it hereby is, amended as follows: The following language shall be added at the end of the first paragraph of Section 2: "An Employee who commences participation in another non-qualified deferral plan of Pacific Telesis Group or of any company controlling, controlled by or under common control with Pacific Telesis Group shall cease to be eligible to participate in this Plan."

The following language shall be added at the end of the first paragraph of Section 4: "A Participant shall cease participation in this Plan effective upon participation in another non-qualified deferral plan of Pacific Telesis Group or of any company controlling, controlled by or under common control with Pacific Telesis Group."

RESOLVED FURTHER, that the Pacific Telesis Group 1996 Executive Deferred Compensation Plan be, and it hereby is, amended as follows:

The following paragraph shall be added at the end of Section 2: "Provided, however, an employee shall not be eligible to participate in this Plan if the employee participates in another non-qualified deferral plan of Pacific Telesis Group or of any company controlling, controlled by or under common control with Pacific Telesis Group."

The last sentence of Section 4.2 shall be amended to read as follows: "An election with respect to Salary, STIP or Other Awards for services performed in a calendar year and/or with respect to LTIP for services performed in a multiple-year performance period shall be deemed irrevocably terminated when the employee, whether by transfer or termination of employment, or by participation in another non-qualified deferral plan of Pacific Telesis Group or of any company controlling, controlled by or under common control with Pacific Telesis Group, ceases to be eligible to participate in the Plan during such calendar year and/or such multiple-year performance period (as applicable)."

RESOLVED FURTHER, that the Pacific Telesis Group 1996 Directors' Deferred Compensation Plan be, and it hereby is, amended as follows:

The following paragraph shall be added at the end of Section 4.2: "If a Director of Pacific Telesis Group as of March 31, 1997, became a Director (which term shall be deemed to include an Advisory Director) of SBC Communications Inc., a Delaware corporation, on April 1, 1997, then such Director may irrevocably elect in writing, on or before December 31, 1997, that the Director shall not be deemed to have ceased being a Director of Pacific Telesis Group so long as the Director continuously serves as a Director of SBC Communications Inc."

RESOLVED FURTHER, that the Pacific Telesis Group Deferred Compensation Plan for Non-Employee Directors be, and it hereby is, amended as follows:

The following subsection 4(f) shall be added at the end of Section 4: "If a Director of Pacific Telesis Group as of March 31, 1997, became a Director (which term shall be deemed to include an Advisory Director) of SBC Communications Inc., a Delaware corporation, on April 1, 1997, then such Director may irrevocably elect in writing, on or before December 31, 1997, that the Director shall not be deemed to have ceased being a Director of Pacific Telesis Group so long as the Director continuously serves as a Director of SBC Communications Inc."

The undersigned, consisting of all the members of the Executive Committee of the Board of Directors of the Corporation, have executed these resolutions effective November 21, 1997.

Royce S. Caldwell
James D. Ellis

**PACIFIC TELESIS GROUP**
**OUTSIDE DIRECTORS' DEFERRED STOCK UNIT PLAN**

ARTICLE 1. INTRODUCTION.

The Plan was adopted by the Board on January 26, 1996, to be effective May 2, 1996. This Plan replaces the Retirement Plan for (a) Outside Directors whose Service commences on or after January 1, 1996, and (b) Outside Directors whose Service commenced before January 1, 1996, but who elect to participate in this Plan in lieu of the Retirement Plan, either as to their entire benefit or as to a portion of their benefit under the Retirement Plan.

The purpose of the Plan is to provide compensation to Outside Directors in a form that aligns their interests with the interests of the Company's stockholders. The Plan provides for grants of Stock Units whose value at any given time is equal to the value of shares of Common Stock.

ARTICLE 2. ADMINISTRATION.

The Plan shall be administered by the Committee. The Committee shall (a) interpret the Plan and (b) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

ARTICLE 3. ELIGIBILITY AND PARTICIPATION.

3.1 Commencement of Participation. Participation in the Plan shall be limited to Outside Directors who either:

(a) Start serving as Outside Directors on or after January 1, 1996; or

(b) Started serving as Outside Directors before January 1, 1996, but elected to participate in this Plan pursuant to Section 3.2.

Eligible Outside Directors shall begin participating in the Plan on May 2, 1996, or when their Service commences, whichever is later.

3.2 Election To Participate in This Plan. This Section 3.2 shall apply to each Outside Director who was an Outside Director both on December 31, 1995, and on January 1, 1996. Such Outside Director shall elect in accordance with the following alternatives:

(a) If the Outside Director's annual benefit accrued under the Retirement Plan as of May 1, 1996 is equal to 100% of the annual retainer payable to Outside Directors, the Outside Director may elect to remain a participant in the Retirement Plan; or the Outside Director may elect to become a Participant in this Plan and to waive all benefits under the Retirement Plan (whether such benefits are attributable to Service before or after January 1, 1996).

(b) If the Outside Director's annual benefit accrued under the Retirement Plan as of May 1, 1996, is less than 100% of the annual retainer payable to Outside Directors, the Outside Director may elect to remain a participant in the Retirement Plan as to the Outside Director's prorate accrued benefit and receive only certain benefits under this Plan as described under Section 4.2 below, or the Outside Director may elect to become a Participant in this Plan as to his or her entire retirement benefit and to waive all benefits under the Retirement Plan (whether such benefits are attributable to Service before or after January 1, 1996).

The election under this Section 3.2 shall be made in writing on or before May 1, 1996, and shall be irrevocable thereafter.

3.3 Termination of Participation. Participation in the Plan shall terminate when the Outside Director has received all benefits payable to him or her under the Plan.

ARTICLE 4. NUMBER OF STOCK UNITS.

4.1 General Rule. Each Outside Director who began serving as Outside Director on or after January 1, 1996 shall receive 400 Stock Units for each calendar year in which he or she meets the following requirements:

(a) The Outside Director is a Participant on January 1 of such year; and

(b) The Outside Director will not receive any grant of shares of Common Stock at any time during such year under the Pacific Telesis Group 1994 Stock Incentive Plan or any other plan of the Company.

The grant of Stock Units for a calendar year shall occur as of the date of the regular annual meeting of the Company's shareowners for such year.

4.2 One-Time Grant for Pre-1996 Directors. Each Participant whose Service commenced before January 1, 1996, and who has elected to become a participant under this Plan as to his or her entire retirement benefit shall receive a grant of Stock Units as of May 2, 1996. The number of Stock Units included in such grant shall be equal to:

(a) The Present Value of the Participant's accrued benefit under the Retirement Plan as of May 1, 1996, divided by

(b) The closing price of one share of Common Stock reported by the New York Stock Exchange Composite Transactions Report (as set forth in the Western Edition of The Wall Street Journal) for the last trading day prior to May 2, 1996.

The number of Stock Units shall be rounded to the nearest multiple of five.

4.3 Additional Grant for Certain Pre-1996 Directors. This Section 4.3 shall apply to each Participant whose Service commenced before January 1, 1996, and whose annual benefit accrued under the Retirement Plan as of May 1, 1996, is less than 100% of the annual retainer payable to Outside Directors.

(a) Numbers of Stock Units Granted A Participant described in this Section 4.3 shall receive an additional grant of Stock Units determined as follows:

(i) There shall be calculated the hypothetical Present Value of the Participant's accrued benefit under the Retirement Plan as of the Full Accrual Date, assuming that the Participant had continued to participate in the Retirement Plan until the Full Accrual Date and from such amount shall be subtracted the Present Value of the Participant's accrued benefit in full years under the Retirement Plan as of May 1, 1996.

(ii) The Participant shall receive an additional grant of Stock Units as of May 2, 1996. The number of Stock Units included in such additional grant shall be equal to the amount calculated under (i) above, divided by the closing price of one share of Common Stock reported by the New York Stock Exchange Composite Transactions Report (as set forth in the Western Edition of The Wall Street Journal) for the last trading day prior to May 2, 1996.

The number of Stock Units shall be rounded to the nearest multiple of five.

(b) Vesting of Stock Units and Associated Dividend Equivalents. In determining the number of Stock Units (and dividend equivalents associated with such Stock Units) available

for settlement and distribution under Article 6, the Stock Units and associated dividend equivalents granted under this Section 4.3 shall vest annually as of the date of the regular annual meeting of the Company's shareowners on a prorata basis during the years between May 2, 1996 and the Outside Director's Full Accrual Date.

ARTICLE 5. DIVIDEND EQUIVALENTS.

Prior to settlement, each Stock Unit shall carry with it the right to dividend equivalents. Such right entitles the Participant to be credited with an amount equal to all cash dividends paid on one share of Common Stock while the Stock Unit is outstanding. Dividend equivalents shall be converted into additional Stock Units and shall be settled pursuant to Article 6. The conversion into Stock Units shall be based on the closing price of Common Stock reported by the New York Stock Exchange Composite Transactions Report (as set forth in the Western Edition of The Wall Street Journal) for the last trading day prior to the date when the dividend is paid. The number of Stock Units shall be rounded to the nearest whole number of Units.

ARTICLE 6. DISTRIBUTION RULES AND SETTLEMENT OF STOCK UNITS.

6.1 General Rule. Stock Units shall normally be settled as soon as reasonably practicable after the Participant's Service terminates for any reason; provided, however, that any Stock Units or associated dividend equivalents that have not vested under Section 4.3(b) shall not be available for settlement or distribution. Stock Units shall be settled by paying the Participant a lump sum in cash, unless the Participant has made an election pursuant to Section 6.2 to receive installments. The amount of such lump sum shall be equal to the product of:

(a) The number of vested Stock Units held by the Participant (including dividend equivalents converted into Stock Units); times

(b) The closing price of one share of Common Stock reported by the New York Stock Exchange Composite Transactions Report (as set forth in the Western Edition of The Wall Street Journal) for the trading day coinciding with or next preceding the Participant's last day of Service.

6.2 Election of Installment Form of Distribution. Within 30 days of the time a Participant first begins participation under the Plan, he or she may make an irrevocable written election to receive the distribution of the cash representing the settlement of his or her Stock Units, less applicable withholding and employment taxes, in approximately equal annual installments. In accordance with procedures established by the Company, a Participant may elect to receive payment in one of the following forms:

(a) approximately five equal annual installments; or

(b) approximately ten equal annual installments.

Installments subsequent to the first installment to the Participant shall be paid as soon as practicable after the January 1 of each succeeding calendar year until the entire value, less applicable withholding and employment taxes, is distributed. The portion of Stock Units being held for future installments shall be credited with dividend equivalents as described in Article 5 prior to distribution. The amount of each installment after the first installment shall be calculated in the manner described in Section 6.1 above, using the closing price the trading coinciding with or next preceding December 31 of the year prior to distribution.

6.3 Death of Participant. Any payment under Section 6.1 or Section 6.2 after the Participant's death shall be made to his or her beneficiary or beneficiaries. Each Participant shall designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Participant's death. If no beneficiary was designated or if no designated beneficiary survives the Participant, then any payment after the Participant's death shall be made to his or her estate.

ARTICLE 7. PROTECTION AGAINST DILUTION

7.1 Adjustments. In the event of a subdivision of the outstanding shares of Common Stock, a declaration of a dividend payable in Common Stock, a combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a lesser number of shares of Common Stock, a recapitalization, a spinoff or a similar occurrence, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of:

(a) The number of Stock Units to be granted thereafter under Article 4; and

(b) The number of Stock Units already held by any Participant.

7.2 Reorganizations. In the event that the Company is a party to a merger or other reorganization, Stock Units shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the assumption of the Stock Units by the surviving corporation or its parent (with equitable adjustments), for their continuation by the Company (if the Company is a surviving corporation) or for accelerated settlement in cash.

ARTICLE 8. GENERAL PROVISIONS.

8.1 Creditors' Rights. A Participant shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the Plan.

8.2 Voting Rights. Participants shall have no voting rights with respect to their Stock Units.

8.3 Assignment of Rights. Amounts credited under the Plan shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 8.3 shall be void. However, this Section 8.3 shall not preclude a Participant from designating one or more beneficiaries pursuant to Section 6.3, nor shall it preclude a transfer of amounts credited under the Plan by will or by the laws of descent and distribution.

8.4 Withholding Taxes. To the extent required by applicable federal, state, local or foreign law, a Participant or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to make any payment under the Plan until such obligations are satisfied.

8.5 Choice of Law. The Plan shall be governed by, and construed in accordance with, the laws of the State of Nevada (except their choice-of-law provisions).

8.6 Administration and Interpretation. The Board shall have the sole authority to construe and interpret this Plan in accordance with its terms and provisions and to make rules relating to the administration thereof. The decision of the Board with respect to any issues relating to the interpretation of this Plan shall be final, conclusive and binding on all parties. The Board may delegate any part of its duties hereunder to the Company's Executive Vice President-Human Resources, subject to the final authority of the Board. The Executive Vice President-Human Resources of the Company, with the approval of the Executive Vice President and General Counsel of the Company, shall be authorized to make minor or administrative changes to the Plan.

ARTICLE 9. FUTURE OF THE PLAN.

9.1 Term of the Plan. The Plan, as set forth herein, shall become effective on May 2, 1996. The Plan shall remain in effect until it is terminated pursuant to Section 9.2.

9.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules. No Stock Units shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Stock Unit previously granted under the Plan; provided, however, that to the extent that the Board approves any new benefit plan or improvement to any existing benefit plan applicable to Outside Directors, it may terminate rights which have already accrued to a Participant under this Plan if, in its sole discretion, it determines that the benefits payable to a Participant under such new or improved plan adequately replace the benefits provided hereunder.

ARTICLE 10. DEFINITIONS.

10.1 "Board" means the Company's Board of Directors, as constituted from time to time.

10.2 "Committee" means the Compensation and Personnel Committee of the Board.

10.3 "Common Stock" means the common stock of the Company.

10.4 "Company" means Pacific Telesis Group, a Nevada corporation.

10.5 "Full Accrual Date" means the earliest date on which the Outside Director could separate from Service with a benefit under the Retirement Plan equal to 100% of the annual retainer payable to Outside Directors, as in effect at the time of the separation from Service.

10.6 "Outside Director" means a member of the Board who is not a common-law employee of the Company or a subsidiary of the Company.

10.7 "Participant" means an Outside Director who participates in the Plan pursuant to Article 3.

10.8 "Plan" means this Pacific Telesis Group Outside Directors' Deferred Stock Unit Plan, as amended from time to time.

10.9 "Present Value" means the present actuarial value, determined by using the actuarial assumptions that would be applicable on the date in question for calculation of pension benefits under the Pacific Telesis Group Pension Plan for Salaried Employees.

10.10 "Retirement Plan" means the Pacific Telesis Group Outside Directors' Retirement Plan, as amended from time to time.

10.11 "Service" means service as an Outside Director.

10.12 "Stock Unit" means a bookkeeping entry representing, at any given time, the dollar value at such time of one share of Common Stock.

ARTICLE 11. EXECUTION.

To record the adoption of the Plan by the Board, the Company has caused its duly authorized officer to affix the corporate name and seal hereto.

PACIFIC TELESIS GROUP
1996 DIRECTORS' DEFERRED COMPENSATION PLAN

SECTION 1. ELIGIBILITY

Each member of the Board of Directors of Pacific Telesis Group ("Company") who is not an employee of the Company, or any of its Affiliates, is eligible to participate in the 1996 Directors' Deferred Compensation Plan ("Plan").

SECTION 2. PARTICIPATION; DEFERRAL ELECTION

2.1 Deferral Election. Prior to the beginning of any calendar year, commencing with the calendar year 1996, each eligible Director or designated Director may elect to participate in the Plan by directing that all or any part of the Compensation which would otherwise have been payable currently for services as a Director during such calendar year and subsequent calendar years shall be credited to a deferred Compensation account subject to the terms of the Plan.

2.2 Form of Election, Modification or Termination. An election to participate in the Plan shall be in the form of a document executed by the Director and filed with the Secretary of the Company. An election related to Compensation otherwise payable currently in any calendar year shall become irrevocable on the last day prior to the beginning of such calendar year. An election shall continue from year to year until a Director ceases to be a Director or until he or she terminates or modifies such election by written notice. An election shall terminate on the day after a Director ceases to be a Director. Any termination or modification by a Director of his or her election shall become effective as of the end of the calendar year in which written notice thereof is received by the Secretary of the Company, and shall be effective with respect to all fees otherwise payable in subsequent calendar years until a new election or modification is made by such Director in accordance with this Section 2.

2.3 New Election After Prior Election Terminated. A Director who has filed a termination of election may thereafter again file an election in accordance with Section 2.1 to participate for any calendar year or years subsequent to the filing of such election.

SECTION 3. DEFERRED COMPENSATION ACCOUNTS

3.1 Establishment of Accounts; Credited Interest. Deferred amounts shall be credited to the Director's account and shall bear interest from the date such fees would otherwise have been paid. The interest credited to the account shall be determined by the Board of Directors from time to time and shall be compounded annually at the end of each calendar year.

3.2 No Funding or Assignment. It is intended that this Plan constitute an unfunded deferred compensation arrangement. The amounts credited to the Plan account for each Director shall be held in the general funds of the Company. All amounts in such accounts, including all Compensation deferred by a Director an all interest credited thereon, shall remain assets of the Company. The Company shall not be required to reserve or otherwise set aside funds for the payment of amounts credited to Plan accounts. The obligation of the Company to pay benefits under the Plan constitutes a mere promise to make benefit payments in the future, and shall be unfunded as to the Director, whose rights shall be those of a general unsecured creditor. Title to and beneficial ownership of any assets which the Company may set aside or otherwise designate to make payments under the Plan shall at all times remain in the Company, and the Director shall not have any property interest in any specific assets of the Company. The rights of a Director or his or her beneficiary to benefit payments under the Plan are not subject in any manner to assignment, alienation, pledge or garnishment by creditors.

SECTION 4. DISTRIBUTION

4.1 Distribution Election. At the time a Director makes an election to defer Compensation under the Plan, the Director shall also make an election with respect to the distribution of amounts credited to the Director's Plan account pursuant to such election, and interest credited thereon, during the Director's lifetime, and in the event of the Director's death prior to distribution of all amounts credited to the Director's Plan account. Distribution elections shall become effective and irrevocable at the same times the election to defer Compensation becomes effective and irrevocable under Section 2.2.

4.2 Options for Distribution During Life. A Director may elect to receive the amounts credited to his or her Plan account in one payment or in some other number of approximately level annual installments (not exceeding 15). The amount of an annual installment shall be calculated by dividing the total amount, including interest, credited to the Director's account immediately prior to such installment by the remaining number of installments. As specified by the Director, the first installment (or the single payment if the Director has so elected) shall be paid as soon as practicable after the first day of the calendar year following:

(A) the calendar year in which the Director ceases to be a Director of the Company or any of its subsidiaries;

(B) the calendar year in which the Director attains a specified age between age 59-1/2 and 75;

(C) the earlier of calendar year containing the date that is a specified number of years (maximum of 5) after the date the Director ceases to be a Director of the Company or any of its subsidiaries or the calendar year in which the Director attains age 75; or

(D) the earlier of the calendar year in which the Director attains a specified age not younger than 59-1/2 or the calendar year in which the Director ceases to be a Director of the Company or any of its subsidiaries. If an installment distribution is elected, subsequent installments shall be paid on the first day of each succeeding calendar year until the entire amount credited to the Director's account is paid. Amounts held pending distribution pursuant to the Director's distribution election shall accrue interest at the rate determined by the Board of Directors for each year such amounts continue to be held.

4.3 Immediate Single Payment. Notwithstanding a Director's distribution election pursuant to Section 4.2, in the event a Director ceases to be a Director of the Company or any of its subsidiaries and becomes a proprietor, officer, partner, employee, or otherwise becomes affiliated with any business that is in competition with the Company or any of its subsidiaries, or becomes employed by any governmental agency having jurisdiction over the activities of the Company or any of its subsidiaries, the entire balance of amounts credited to the Director's Plan account, shall be paid as soon as practicable thereafter in a single payment.

4.4 Options for Distribution In the Event of Death. A Director may elect that, in the event the Director should die before full payment of all amounts credited to the Director's account, the balance of amounts credited to the Director's Plan account shall be distributed to the beneficiary or beneficiaries designated by the Director

(A) in one payment on or about the first day of the calendar quarter next following the month of death;

(B) in a number of annual installments not exceeding 10, commencing on or about the first day of the calendar quarter next following the month of death; or

(C) in the same manner elected under Section 4.3 for lifetime distributions to the Director, using as any specified age the date the Director would have attained that age if he or she had continued to live.

If no election has been made under this Section 4.4, the balance of the Director's Plan account shall be distributed in one payment as soon as practicable after the year of the Director's death. If no beneficiary designation has been made, distribution shall be made to the estate of the Director.

SECTION 5. ADMINISTRATION, AMENDMENT AND TERMINATION

5.1 Plan Document. Copies of the Plan and any and all amendments thereto shall be made available at all reasonable times at the office of the Secretary of the Company to all

Directors.

5.2 Amendment. The Board of Directors may at any time make changes in the Plan, but such amendment shall have prospective effect only and shall not adversely affect the rights of any Director, without his or her consent, to any benefit under the Plan to which such Director was entitled prior to the effective date of amendment. Changes in the interest rate applied to Plan account balances as determined by the Board of Directors from time to time in accordance with Section 3.1 shall not be deemed to be Plan amendments, notwithstanding that they apply to Compensation previously earned and deferred. The Executive Vice President - Human Resources of Pacific Telesis Group, with the approval of the Executive Vice President and General Counsel of Pacific Telesis Group, shall be authorized to make minor or administrative changes to the Plan.

5.3 Termination. The Board of Directors may at any time terminate the Plan. Any termination of the Plan shall not terminate the deferral of Compensation previously deferred into a Plan account, but may prevent the deferral of Compensation not yet earned notwithstanding the Director's prior election to defer such Compensation.

SECTION 6. DEFINITIONS.

For purposes of this Plan, the following words shall have the meaning so defined unless the context clearly indicates otherwise:

6.1 "Affiliate" as the term relates to Pacific Telesis Group means subsidiary of or other entity that controls, is controlled by, or is under common control with Pacific Telesis Group. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

6.2 "Board of Directors" or "Board" shall mean the Board of Directors of Pacific Telesis Group.

6.3 "Compensation" shall mean a Director's annual retainer fee, fees payable for services as a member of a committee of the Board including committee meeting fees, Board meeting fees, and any other compensation for services as a Director, excluding stock awards under Section 4.2 of the Pacific Telesis Group 1994 Stock Incentive Plan. Compensation does not include reimbursement for expenses such as telephone service or travel costs.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY
BENEFITS PROTECTION TRUST
WITH
WACHOVIA BANK OF NORTH CAROLINA, N.A., AS TRUSTEE

Amended and Restated

AMERICAN TELEPHONE ANDTELEGRAPH COMPANY
TRUST AGREEMENT

THIS AGREEMENT, amended and restated as of the 17th day of November, 1993, between American Telephone and Telegraph Company, a New York corporation (the "Company"), and Wachovia Bank of North Carolina, N.A., a national banking association (the "Trustee").

W I T N E S S E T H :

WHEREAS, the Company and the Trustee had previously entered into an agreement (the "Agreement") to provide certain assurance to senior managers of the Company, effective May 1, 1992; and

WHEREAS, the Company and the Trustee desire to make certain changes to the Agreement to address the funding and administration intended under the Agreement; and

WHEREAS, the Company and the Trustee desire to amend and restate the terms of the Agreement to address the issues associated with such funding and administration; and

WHEREAS, the Company has incurred and expects to continue to incur certain unfunded retirement income liabilities and benefit obligations to or with respect to all current employees who, as of December 18, 1991 or thereafter, were at an employment band of Senior Manager or above (or equivalent salary grade level), all future employees who are at any time at an employment band of Senior Manager or above) (or equivalent salary grade levels), all retired Senior Managers (or retired employees at equivalent salary grade levels) who are receiving a service or disability pension under the AT&T Management Pension Plan and were at equivalent salary grade levels at the time of their retirement, and all former employees who between December 18, 1991 and November 17, 1993, inclusive, were at an employment band of Senior Manager and above (or equivalent salary grade levels) (collectively, the "Participants") pursuant to the terms of certain retirement and nonqualified plans or arrangements presently or hereafter identified in Schedule A to this Agreement (hereinafter the "Plan" or "Plans"); and

WHEREAS, the Company desires to provide additional assurance to such Participants and their surviving spouses, beneficiaries or estates under the Plans (collectively, the "Beneficiaries") that their unfunded retirement rights and benefit entitlements under the Plans will in the future be met or substantially met by application of the procedures set forth herein; and

WHEREAS, the Company wishes to establish separate accounts which will include investment earnings and adjustments for charges, expenses and cash flow on assets attributable with respect to the contributions to each such account (hereinafter the "Accounts") with respect to each Plan or group of Plans (as identified in Schedule A) in order to provide a source of payments under the terms of such Plans; and

WHEREAS, amounts credited to each Account, as determined by the Company from time to time in its sole discretion, other than during a Potential Change in Control Period and upon a Change in Control, and the earnings thereon shall be used by the Trustee solely in satisfaction of the liabilities of the Company with respect to the Participants and the Beneficiaries in the Plans covered under the respective Accounts, and expenses as provided herein, and such utilization shall be in accordance with the procedures set forth herein; and

WHEREAS, the Company desires to grant additional powers to the Trustee during a Potential Change in Control Period and upon a Change in Control in order to provide the Participants and their Beneficiaries with some measure of security during those events; and

WHEREAS, except as expressly provided in this Agreement, upon satisfaction of all liabilities of the Company with respect to Participants and their Beneficiaries payable from a particular Account, the balance, if any, remaining in such Account shall be allocated to other Accounts established under this Agreement in accordance with the procedures set forth herein; and

WHEREAS, except as otherwise expressly provided in this Agreement, upon satisfaction of all liabilities of the Company with respect to all Participants, and their Beneficiaries under the Plans, the balance, if any, remaining in the Accounts shall revert to the Company, provided, however, that all amounts in such Accounts shall at all times be subject under this Agreement to the claims of the Company's creditors as hereinafter provided;

NOW, THEREFORE, in consideration of the premises and mutual and independent promises herein, the parties hereto covenant and agree to amend and restate their Agreement as follows:

## ARTICLE I
## Establishment of Trust

1.1 The Company hereby establishes with the Trustee a Trust consisting of such sums of cash, marketable securities and such other property acceptable to the Trustee as shall, in accordance with Article II, be paid or delivered to the Trustee and the earnings and profits thereon. All such cash, marketable securities and other property, all investments made therewith and proceeds thereof, less the payments or other distributions which, at the time of reference, shall have been made by the Trustee, as authorized herein, are referred to herein as the "Trust Fund" and shall be held by the Trustee, IN TRUST, in accordance with the provisions of this Agreement.

1.2 The Trustee shall hold, manage, invest and otherwise administer the Trust Fund pursuant to the terms of this Agreement. The Trustee shall be responsible for contributions actually received by it and such other obligations as it undertakes hereunder. The amount of each contribution by the Company to the Trust Fund shall be determined in the sole discretion of the Company, subject to the terms of this Agreement requiring contributions during a Potential Change in Control Period and upon a Change in Control (as each term is defined in Section 2.7 of this Agreement).

1.3 Subject to the provisions of Article X of this Agreement, the Company and the Trustee agree that the Trust created herein shall not be revocable by the Company. The Trust established hereunder is intended to be a grantor trust within the meaning of Section 671 of the Internal Revenue Code of 1986, as thereafter amended, and all property contributed to the Trust and interest and other income earned on the investments of the Trust shall be held in trust in accordance with this Agreement, but shall be considered the property of, and taxable to, the Company.

1.4 To the extent provided in this Agreement, the Trustee shall maintain in an equitable manner a separate bookkeeping Account for each Plan or group of Plans, as provided in Schedule A hereto, in which it shall keep a separate record of the interest of such Participant or Beneficiary under each Plan and Account under the Trust Fund. For purposes of this Agreement, the interest of each Participant and Beneficiary payable from the Trust Fund with respect to any Plan shall be determined by multiplying the Participant's or Beneficiary's vested benefit under the Plan (as of the date the Participant and Beneficiary becomes entitled to payments under the Plan) by the ratio obtained by dividing the total assets for the Account (as determined in accordance with Article IV of this Agreement) in which the Plan is included by the total vested liabilities for all Plans included within such Account. The Company's Corporate Vice President - Investment Management, shall certify to the Trustee at the time of each contribution to the Trust Fund the amount of such contribution being made in respect of each Account established under this Agreement. If the Trust Fund receives contributions in excess of the amounts initially contributed pursuant to Section 2.1, the

Trust Fund shall be revalued by the Trustee as of the last business day of each calendar quarter (or more frequently, at the request of the Company) at current market values, as determined by the Trustee. At the discretion of the Company, each Participant in each Plan with respect to which an Account has been established or his Beneficiary shall be entitled to receive from the Company, or such person as is designated by the Company ("delegate"), a semi-annual statement of his entitlement with respect to each such Plan and Account. During a Potential Change in Control Period and upon a Change in Control, such statements shall be provided on a quarterly basis and shall be required to be sent by the Trustee to such Participants (or their Beneficiaries, if applicable).

## ARTICLE II
## Funding of the Trust

2.1 Concurrently with the execution of this Trust, the Company is delivering to the Trustee, to be held in trust hereunder, the sum of one-hundred dollars ($100) in cash with respect to each of the Plans identified in Schedule A hereto to be administered and disposed of by the Trustee as provided herein. In addition, subject to Section 2.2, the Company may from time to time contribute additional cash, marketable securities (including securities of the Company) or other property reasonably acceptable to the Trustee to be allocated between and among the Accounts as designated by the Company's Corporate Vice President - Investment Management.

2.2 Concurrently with the execution of this Trust and thereafter in accordance with Section 4.3, the Company shall provide to the Trustee all reasonably required information necessary for the Trustee to determine the Company's (and its affiliates') liabilities and obligations under the Plans and shall update such information from time to time as requested by the Trustee. If the Company does not provide updated information to the Trustee within a reasonable period of time following any request, the Trustee shall use its best estimate to determine the Company's (and its affiliates') obligations and liabilities under the Plans. The Trustee shall be protected in determining the amount of the Company's (and its affiliates') obligations and liabilities under the Plans so long as the Trustee acts in good faith in arriving at its best estimate. The Trustee shall not perform any calculations with respect to such information unless directed to do so by the Company, but shall be required to perform such calculations during a Potential Change in Control Period and upon a Change in Control as provided herein. Upon the occurrence of a Potential Change in Control and a Change in Control, the Trustee shall determine, in accordance with Section 2.5 hereof, based upon the last valuation available to the Trustee with respect to the vested and nonvested liabilities of the Company (and its affiliates) under the Plans, the aggregate amount which will be sufficient to fund the Company's (and its affiliates') obligations and liabilities to pay the vested and nonvested benefits due to Participants or Beneficiaries pursuant to the Plans, plus the amount of one million dollars ($1,000,000) to provide for expenses, including, but not limited to, legal expenses, administrative expenses, and other costs of maintaining the Trust Fund (the aggregate amount necessary to fund the Company's and its affiliates' liabilities under the Plans and the expense amount shall collectively be referred to herein as the "Full Funding Amount" and is more fully defined in Section 2.5 of this Agreement). The determination by the Trustee shall include reasonable estimates and adjustments for events occurring subsequent to such last valuation. The Trustee shall give notice to the Company of such Full Funding Amount as soon as possible but in any event not later than fifteen (15) days after each occurrence of a Potential Change in Control and a Change in Control. Not later than thirty (30) days after each occurrence of a Potential Change in Control and a Change in Control, the Company shall deliver to the Trustee an amount of cash (or marketable securities acceptable to the Trustee and having a fair market value equal to such amount as determined by the Trustee, or some combination thereof) equal to the Full Funding Amount.

2.3 During a Potential Change in Control Period and upon a Change in Control, the Trustee shall, every three months from the last day of the month in which occurs each such Potential Change in Control and Change in Control, whichever is applicable, unless the Full Funding Amount shall theretofore have been returned to the Company pursuant to Article III hereof, recalculate the Full Funding Amount as of the end of the month immediately preceding such three-month interval date as if the Potential Change in Control or Change in Control had occurred at the end of such month. Not later than thirty (30) days after each three-month interval date, the Trustee shall give notice to the Company as to the fair market value of assets then held in the Trust as of the end of such three-month interval date. As soon as possible following completion of the recalculation but in any event not later than forty-five (45) days after each three-month interval date, the Trustee shall give notice to the Company of (i) such recalculated Full Funding Amount, (ii) the additional payment to the Trustee (if any) required from the Company by the following sentence, (iii) the distribution to the Company (if any) required from the Trustee upon the Company's written request pursuant to the last sentence of Section 2.4
hereof, and (iv) all information required to be set forth in any currently-required Payment Schedule described in Section 2.6 hereof. If such recalculated Full Funding Amount exceeds the fair market value of the assets then held in the Trust as determined by the Trustee, the Company shall promptly (and in no event later than ten (10) days from the date of notice of any underfunding from the Trustee) pay to the Trustee an amount in cash (or marketable securities (including securities of the Company) reasonably acceptable to the Trustee or any combination thereof) equal to such underfunding. The Trustee shall have the duty, obligation and authority, by whatever means necessary, including, without limitation, by means of commencing a lawsuit against the Company, to collect any part of such amount which the Company fails to contribute to the Trust Fund in a timely manner.

2.4 Notwithstanding the foregoing, if, other than during a Potential Change in Control Period and prior to a Change in Control, the fair market value of the assets then held in the Trust, as determined by the Trustee in its sole discretion, is more than 125 percent of any such recalculated Full Funding Amount, exclusive of the $1,000,000 for expenses as more fully described in Section 2.2 hereof, the Trustee, upon receipt of a written request from the Company's Corporate Vice President - Investment Management, shall distribute to the Company such requested amount in excess of 125 percent of the Full Funding Amount, exclusive of the $1,000,000 for expenses ("Excess Funds"). During a Potential Change in Control Period and upon the occurrence of a Change in Control, Excess Funds, if any, shall be used and applied by the Trustee to expenses and other costs of maintaining the Trust Fund and shall not be returned to the Company.

2.5 The Full Funding Amount, based on the best information available (including, when necessary, estimates and forecasts) to the Trustee, shall be an amount equal to the net present value of the amount of any vested and nonvested payments, including any payments that would be accelerated by reason of any potential or actual change in control (as defined in the respective Plans), under the Plans determined, to the extent applicable, as if the potential or actual change in control referred to therein had occurred on the date as of which the Full Funding Amount is calculated, and shall include an additional sum of one million dollars ($1,000,000) as described in Section 2.2 of this Agreement. For the purpose of calculating the Full Funding Amount (other than the one million dollar ($1,000,000) portion for expenses), all Participants who have previously retired or terminated from the active employment of the Company and its affiliates shall be assumed to have retired (if eligible) or terminated employment on the date of the Potential Change in Control or Change in Control. Net present value and liabilities under the Plans shall be determined in a manner consistent with the assumptions utilized by the Company under the Company's qualified defined benefit pension plan applicable to management employees (the "Pension Plan"), unless the terms of a specific Plan direct use of different assumptions, in which case such different assumptions shall be used solely with respect to the Plan to which they pertain. During a Potential Change in Control Period and upon a Change in Control, the Pension Plan or Plan assumptions utilized immediately prior to the Potential Change in Control or Change in Control, as the case may be, shall remain in effect for the duration of this Agreement, unless assumptions resulting in a greater benefit to Participants under the Plans are uniformly adopted with respect to the Pension Plan or Plans, in which case the latter assumptions shall be utilized for purposes of this Agreement.

2.6 Contemporaneously with each payment by the Company pursuant to Section 2.1, or 2.3 hereof (other than the initial payment of one-hundred dollars ($100) for each of the Plans), the Company shall deliver Payment Schedules (containing information with respect to a Participant's or Beneficiary's entitlement under the Plans, as described in Section 2.5 hereof) to each Participant, Beneficiary (if applicable) and the Trustee; provided, however, that at the request of the Company, or during a Potential Change in Control Period and upon a Change in Control, the Trustee shall prepare and deliver such Payment Schedules to Participants (or their Beneficiaries, if applicable) and to the Company.

2.7 For purposes of this Agreement, the terms set forth below shall be defined as follows:

(a) "Change in Control" shall mean the occurrence of any of the following events: (1) an acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (which shall mean any "person" or "group," in each case within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act") immediately after which such Person is a "Beneficial Owner" (within the meaning of Rule 13d-3 promulgated under the 1934 Act, provided , however , that such Person shall be deemed to be the "Beneficial Owner" of all shares that any such Person has the right to acquire pursuant to any agreement, arrangement or understanding or upon exercise of conversion rights, warrants, options or otherwise, without regard to the sixty day period referred to in such Rule) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding Voting Securities; provided , however , in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (A) an employee benefit plan (or a trust forming a part thereof) maintained by (i) the Company or (ii) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company (a "Subsidiary"), (B) the Company or any Subsidiary, or (C) any Person in connection with a "Non-Control Transaction" (as defined below). For purposes of this Agreement, the entities identified in Subparagraphs "(A)", "(B)" and "(C)" of this Section 2.7(a)(1) shall be referred to as "Related Persons."

(2) The date when the individuals who, as of the date hereof, are members of the Board of Directors (the "Board") of the Company (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided , however , that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement be considered as a member of the Incumbent Board;

provided , further , however , that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(3) Approval by stockholders of the Company of:

(A) A merger, consolidation or reorganization involving the Company, unless

(i) the stockholders of the Company immediately before such merger, consolidation or reorganization own, directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy-five percent (75%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

(ii) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation;

(iii) no Person (other than the Company or any Subsidiary, any employee benefit plan or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any Subsidiary, or any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of fifteen percent (15%) or more of the then outstanding Voting Securities) has Beneficial Ownership of fifteen percent (15%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities; and

(iv) for purposes of this Agreement, the immediately preceding Subparagraphs (i) through (iii), inclusive, shall be referred to as a "Non-Control Transaction".

(B) A liquidation or dissolution of the Company; or

(C) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

(b) "Potential Change in Control" shall mean the occurrence of any of the following events:

(1) when any Person (including the Company) publicly announces an intention (A) to acquire five percent (5%) or more of the then outstanding Voting Securities, provided such acquisition is not by a Related Person or (B) to merge or consolidate the Company with another entity, transfer or sell assets of the Company, or liquidate or dissolve the Company, in each case described in this clause (B) in a transaction that would, if completed, constitute a Change in Control; or

(2) when any Person other than a Related Person

(A) acquires five percent (5%) or more of the then outstanding Voting Securities, other than as a holder whose investment in the Company is eligible to be reported on Schedule 13G pursuant to Rule 13d-1(b)(1) promulgated under the 1934 Act (hereinafter, the "Eligible Person"), or

(B) initiates a tender or exchange offer to acquire such number of Voting Securities as would result in such Person holding twenty percent (20%) or more of the then outstanding Voting Securities, or

(C) solicits proxies for votes to elect members of the Board of Directors at a shareholders' meeting of the Company.

(c) "Potential Change in Control Period" shall mean the period commencing on the date that a Potential Change in Control has occurred and ending upon:

(1) the date any Person who made an announcement referred to in Subparagraph (b)(1) of this Section 2.7 publicly announces he no longer intends to take or is no longer considering the taking of such actions;

(2) the date the Person referred to in Subparagraph (b)(1)(A) of this Section 2.7 qualifies as an Eligible Person;

(3) the date when any Person described in Subparagraph (b)(2) of this Section 2.7, (A) shall own less than five percent (5%) of the then outstanding Voting Securities, (B) shall have abandoned the tender or exchange offer, or (C) following a shareholders' meeting, shall not have elected a member of the Board, as the case may be; or

(4) the date a Change in Control occurs.

2.8 The Board or the Chief Executive Officer of the Company shall notify the Trustee in writing of each occurrence of a Potential Change in Control and Change in Control. All such notices shall be provided promptly and in any event not later than five (5) days following the occurrence of such event. Notwithstanding the foregoing, the Trustee shall be responsible for ascertaining whether a Potential Change in Control and a Change in Control has occurred and the duration of the Potential Change in Control Period. The Trustee may rely on such methods as are available to obtain notice, including reference to periodicals of general circulation such as The Wall Street Journal and The New York Times to determine whether a Potential Change in Control or Change in Control has occurred and the duration of the Potential Change in Control Period and the Company will provide to the Trustee, in a timely manner, any Proxy Statements, Solicitation/Recommendation Statement on 14D-9 Schedules, and information statements pursuant to Rule 14(f) of the 1934 Act, to the extent that the Company has filed such documents pursuant to the federal securities laws and copies of any initial filings and amendments thereto that the Company receives pursuant to Sections 13(d) and 14(d) of the 1934 Act.

2.9 The Trustee shall be required to determine when the Potential Change in Control Period has ended. Such determination may be made in the same manner as provided in Section 2.8 of this Agreement. The determination as to the end of a Potential Change in Control Period shall result in the obligations of the parties hereto reverting to their pre-Potential Change in Control requirements. Nothing contained in this Section 2.9 shall relieve any person of any of its obligations under this Agreement upon a Change in Control.

## ARTICLE III
## Trust Assets Subject to Creditors

3.1 Notwithstanding any provision in this Agreement to the contrary, if at any time while the Trust is still in existence the Company becomes insolvent (as defined herein), the Trustee shall suspend the payment of all benefits from the Trust Fund and shall thereafter hold the Trust Fund in suspense until it receives a court order directing the disposition of the Fund; provided, however, the Trustee may deduct its fees and expenses and other expenses of the Trust, including taxes and the fees and expenses of any person retained by the Trustee in connection with its administration of the Trust Fund, pending the receipt of such court order. The Company shall be considered to be insolvent if (a) it is unable to pay its debts as they fall due or (b) bankruptcy or insolvency proceedings are initiated against it by its creditors or by the Company or any third party under the Bankruptcy Act of the United States or the bankruptcy laws of any State alleging that the Company is insolvent or bankrupt. By its approval and execution of this Agreement, the Company represents and agrees that its Board of Directors and Chief Executive Officer, as from time to time acting, shall have the fiduciary duty and responsibility on behalf of the Company's creditors to give to the Trustee prompt written notice of any event of the Company's insolvency and the Trustee shall be entitled to rely thereon to the exclusion of all directions or claims to pay benefits thereafter made. If, after an event of insolvency, the Company later becomes solvent without the entry of a court order concerning the disposition of the Trust Fund, the Company shall by written notice so inform the Trustee and the Trustee shall thereupon resume all its duties and responsibilities under this Agreement without regard for this Section 3.1 until and

unless the Company again becomes insolvent as such term is defined herein.

3.2 The Company represents and agrees that the Trust established under this Agreement does not fund and is not intended to fund the Plans or any other employee benefit plan or program of the Company. Such Trust is intended to be a depository arrangement with the Trustee for the setting aside of cash and other assets of the Company for the meeting of part or all of its future retirement, death, disability or other obligations to the Participants and their Beneficiaries under the Plans. The purpose of this Trust is to provide a source of funds from which Plan Participants and their Beneficiaries may receive certain retirement, death, disability and deferred benefits under the Plans payable from the respective Accounts hereunder. Further, by following the procedures set forth herein, Plan Participants and Beneficiaries may have access to some or all of their benefits under the Plans as such benefits become due without having the payment of such benefits subject to the administrative control of the Company unless the Company becomes insolvent as defined in Section 3.1. Nothing in this Agreement shall in any way diminish the rights of any Participant or Beneficiary to pursue rights of a general creditor with respect to amounts payable pursuant to the Plans. The Company represents that the Plans are not qualified nor are they intended to qualify under Section 401 of the Internal Revenue Code of 1986 and therefore are not subject to any of the Internal Revenue Code requirements applicable solely to tax-qualified plans.

## ARTICLE IV
## Trust Fund Administration

4.1 Except for the records dealing solely with the Trust Fund and its investment, which shall be maintained by the Trustee, the Trustee shall be furnished by the Company with and shall maintain such Participant records necessary to perform its obligations under this Agreement; provided, however, that in the absence of such records, the Trustee shall be entitled under this Agreement to rely on the most recent information and data that is available or as may be provided by the Participant or Beneficiary. At the request of the Company, or, during a Potential Change in Control Period and upon a Change in Control, the Trustee shall also prepare and distribute Participants' statements and shall be responsible for providing information with respect to payments to Participants and their Beneficiaries and shall perform such other duties and responsibilities as set forth in this Agreement or as otherwise determined by the Trustee as necessary or advisable consistent with the purposes of this Trust.

4.2 Upon contribution by the Company to the Trust (other than for the initial contribution as provided in Section 2.1), or as soon thereafter as practicable but in any event not later than 30 days after a Potential Change in Control and a Change in Control, the Company shall furnish to the Trustee all information necessary for the Trustee to determine the Company's (and each of its affiliates') separate liabilities and obligations under the Plans with respect to each Participant in each Plan, including any benefits payable after the Participant's death and the recipient of same. During a Potential Change in Control Period and a Change in Control, the Company shall regularly, at least quarterly, furnish revised updated information to the Trustee. Based on the foregoing information, at the request of the Company or during a Potential Change in Control Period and upon a Change in Control, the Trustee shall prepare an annual estimated benefits statement in respect of each Participant and shall furnish a copy of same to the Participant or his Beneficiary and to the Company. In the event the Company refuses or neglects to provide updated Participant information, as contemplated herein, the Trustee shall be entitled to rely upon the most recent information furnished to it by the Company or a Participant (or Beneficiary) and may make appropriate adjustments for events occurring subsequent to the date with respect to which the most recent information pertains.

4.3 Upon the written direction of the Company's Executive Human Resources Department to the Trustee that a Participant's benefits under a Plan have become payable or, if the Company's Executive Human Resources Department fails to provide such notification within twenty (20) days of the event entitling the Participant to a distribution, upon the written direction to the Trustee and the Company by the Participant or Beneficiary of a deceased Participant, the Trustee, upon review of the Plans and such other information as it shall deem relevant and determination by the Trustee that such amount is properly payable under the Plans, shall prepare a certification to the Company and Participant that a Participant's benefits under a Plan have become payable. Such certification shall include the amount of such benefits, the manner of payment and the name, address and social security number of the recipient and, to the extent necessary, shall be updated quarterly or upon receipt by the Trustee of a notice of a benefit change under a Plan from the Company. Upon the Trustee's determination of the amount payable from the Trust Fund (in accordance with the method described in Section 1.4 of this Agreement) and the appropriate federal, state and local tax amount to be withheld from such amount, the Trustee shall commence distributions from the Trust Fund in accordance with the terms of the applicable Plan to the person or persons so indicated and to the Company with respect to taxes required to be withheld and the Trustee shall charge the Accounts established hereunder for the Participant's benefits and tax payments; provided, however, that in the event the Company notifies the Trustee that a Participant is entitled under one or more of the Plans to receive a distribution in the form of shares of stock of the Company, or the Trustee makes such determination, the Trustee shall distribute stock of the Company from the assets of the Trust Fund or may purchase, on the open market or from the Company, as determined by the Trustee, at fair market value, the requisite number of shares with the cash distribution to the Participant attributable to the Plan requiring distribution in shares of Company stock. The Trustee shall deliver the shares to the Participant as soon as practicable following the purchase and registration of such shares in the name of the Participant. The Company shall have full responsibility for the payment of all withholding taxes to the appropriate taxing authority and shall furnish each Participant or Beneficiary and the Trustee with the appropriate tax information form evidencing such payment and the amount thereof. The Trustee shall also furnish a copy of the tax withholding certification to the Participant or to the Beneficiary of a deceased Participant.

4.4 All benefits payable from the Trust Fund to a Participant or his Beneficiary under any Plan shall be paid solely from the Account within this Trust Fund in which such Plan has been assigned by the Company as described in Schedule A to this Agreement. Upon the satisfaction of all vested liabilities under a specific Account in respect of Participants and Beneficiaries for whom Plan benefits are payable from such Account, the Company's Corporate Vice President - Investment Management shall prepare a certification to the Trustee showing the balance, if any, remaining in the particular Account attributable to the Plans covered by or under such Account. Such balance shall thereupon be reallocated ratably by the Company's Corporate Vice President - Investment Management to the remaining Account under this Agreement in the ratio that unfunded vested liabilities in respect of each such Participant and Beneficiary payable from such other Account bear to the total unfunded vested liabilities to all such Participants and Beneficiaries payable from such other Account. Upon the satisfaction of all vested and nonvested liabilities of the Company (and its affiliates) under the Accounts for Participants and Beneficiaries, the Company's Corporate Vice President - Investment Management shall prepare a certification to the Trustee, verified by the Trustee, and the Trustee shall thereupon hold or distribute the Trust Funds in accordance with the written instructions of the Company's Vice President - Investment Management. The Company shall not be entitled to a return of assets contributed to the Trust Fund prior to the Company's insolvency, as defined in Section 3.1, except in the following limited circumstances: (a) upon termination of this Agreement pursuant to Article X; (b) upon the existence of Excess Funds, to the limited extent described in Section 2.4, and then only to the extent of such Excess Funds; (c) upon the satisfaction of all vested liabilities of the Company (and its affiliates') under the Plans in respect of Participants and Beneficiaries eligible for payment from the Accounts hereunder; or (d) upon conclusion of the Potential Change in Control Period (provided that a Change in Control has not occurred), but only to the extent of amounts contributed on or after the occurrence of the Potential Change in Control and any earnings thereon. The Trustee shall have no responsibility for determining whether any Participant or Beneficiary has died and shall be entitled to reasonably rely upon information furnished by the Company. All certifications and reallocations required to be performed by the Company under this Section 4.5 shall be performed by the Trustee during a Potential Change in Control Period and upon a Change in Control or at any time upon request of the Company. In the event the Trustee is to provide certifications or reallocations under this Section 4.5, all notices and information otherwise shall also be provided to the Company.

4.5 (a) The Company reserves the right to transfer to the Trust Fund paid-up life insurance, retirement income or annuity policies or contracts on or for the life or lives of any Participant or Participants eligible for benefits from an Account established hereunder, or to direct the Trustee to purchase any such policies or contracts on or for the life or lives of any such Participant or Participants out of the amounts credited under one or more of the Accounts. The Trustee shall hold such policies or contracts, and each Beneficiary designation under such policies or contracts shall indicate the name of the Trustee or its successors. Any such policy or contract shall be an asset of the Trust Fund subject to the claims of the Company's creditors in the event of insolvency, as specified in Section 3.1. The proceeds of any life insurance policy shall upon the death of the insured Participant be credited to the Accounts established under this Agreement ratably by the Trustee in the ratio that unfunded liabilities (as determined pursuant to Section 2.5) in respect to each such Participant and Beneficiary payable from an Account bear to the total unfunded liabilities to all such Participants and Beneficiaries payable from all such Accounts, or, upon direction by the Company's Corporate Vice President - Investment Management, may be used by the Trustee to purchase additional life insurance as described herein, and shall be an additional source of benefits, if any, available for payment to Participants and Beneficiaries or estates as provided under the respective Plan or Plans. If, upon the death of the Participant, the balance remaining to the credit of such Participant in an Account is not required to be paid to the Participant's Beneficiary or estate under the terms of the Plan, such balance shall be reallocated to other Participants eligible for benefits from the Accounts in accordance with Section 4.5.

(b) Premium notices with respect to policies owned by the Trustee shall be delivered by the insurance carrier to the Trustee, with a copy to the Company. Premiums on policies owned by the Trustee may be paid out of contributions to the Trust Fund by the Company, or, at the request of the Company, paid directly by the Company. All policies and/or annuity contacts held by the Trustee shall be endorsed, to the extent available, to provide for an "Automatic Premium Loan" against the cash values thereof in the event of any default in the payment of premiums thereon. If any premium due on any insurance policy owned by the Trustee is not otherwise fully paid or waived by the premium due date, the Trustee may in its sole discretion pay that premium or any portion thereof ratably from funds available in the Trust Fund. If the Trustee determines that the amount in the Trust Fund is insufficient to pay the full premium or elects not to reduce the assets of the Trust Fund by the amount of premium required, the Trustee shall immediately notify the Company of the insufficiency or unpaid amount, and shall afford the Company the opportunity to pay such premium. If the Company fails to pay all of the insufficiency or unpaid amount within five days after the premium due date, the Trustee shall have no further obligation with respect to such policy.

4.6 Nothing provided in this Agreement shall relieve the Company of its liabilities to pay the retirement, death, disability, deferred or other benefits provided under the Plans except to the extent such liabilities are met by application of Trust Fund assets. It is the intent of the Company to provide that the assets attributable to each Account established hereunder shall satisfy in whole or in part the Company's legal liability under the Plans in respect of the Participant for whom such Account has been established.

## ARTICLE V
## Notices to Trustee

5.1 The Company shall provide the Trustee with a certified copy of the Plans at the time of execution of this Agreement and shall deliver copies of all amendments thereto and of the resolutions of the Board approving all amendments thereto, promptly upon their adoption. After the execution of this Agreement, the Company shall promptly file with the Trustee a certified list of the names and specimen signatures of the officers of the Company and any delegate authorized to act for it and the names of all Participants and Beneficiaries. The Company shall promptly notify the Trustee of the addition or deletion of any person's name to or from such list, respectively. Until receipt by the Trustee of notice that any person is no longer authorized so to act, the Trustee may continue to rely on the authority of the person. All certifications, notices and directions by any such person or persons to the Trustee shall be in writing signed by such person or persons. The Trustee may rely on any such certification, notice or direction purporting to have been signed by or on behalf of such person or persons that the Trustee believes to have been signed thereby. The Trustee may rely on any certification, notice or direction of the Company that the Trustee believes to have been signed by a duly authorized officer, agent of the Company or Participant (or Beneficiary of a deceased Participant). The Trustee shall have no responsibility for acting or not acting in reliance upon any notification believed by the Trustee to have been so signed by a duly authorized officer or agent of the Company. The Company shall be responsible for keeping accurate books and records with respect to the employees of the Company, their compensation and their rights and interests in the Trust Fund under the Plans.

5.2 The Company shall make its contributions to the Trust in accordance with the terms of this Agreement and the Trustee shall add such contributions to the Trust Fund, and subject to Section 6.6 hereof, the Trustee shall administer such additional assets in accordance with the terms of this Agreement, including crediting all investment earnings, income on assets and adjustments for charges, expenses and cash flows on assets to the Account in which the contributions subject to such earnings and adjustments have been credited.

5.3 Subject to the provisions of Sections 2.4 and 7.2, to the extent the Company's contribution for expenses of administering the Trust (as provided in Section 2.2) are inadequate to pay the Trustee's fees and expenses, the Company (and its affiliates) shall indemnify and hold harmless the Trustee from and against any and all claims, liabilities or expense, including without limitation, advances for or prompt reimbursement of reasonable fees and expenses of counsel and other agents retained by it, incurred by the Trustee with respect to holding, managing, investing, the taking or refraining from taking any actions hereunder or otherwise administering the Trust Fund, other than by its negligence or willful misconduct.

## ARTICLE VI
## Trust Investments

6.1 The Trustee shall not be liable in discharging its duties hereunder, including without limitation its duty to invest and reinvest the Fund, if it acts without negligence, in good faith and in accordance with the terms of this Agreement and any applicable Federal or state laws, rules or regulations.

6.2 Subject to appointment of an Investment Manager pursuant to Section 6.6, or the Company and the Trustee having mutually agreed in a separate writing that the Trustee shall have and exercise investment discretion with respect to Trust Fund assets, the Company's Corporate Vice President - Investment Management shall have complete discretion with respect to the investment of such assets at all times other than during a Potential Change in Control Period and upon a Change in Control, and shall direct the Trustee accordingly. During a Potential Change in Control Period and upon a Change in Control, the Trustee shall have and exercise sole investment discretion with respect to all assets of the Trust, including the power to appoint or terminate an Investment Manager (who may be an affiliate of the Trustee), as more fully described in Section 6.6. Subject to the foregoing, the Trustee (or the Company's Corporate Vice President - Investment Management or Investment Manager, to the extent applicable) shall have the power in investing and reinvesting the Trust Fund in its sole discretion:

(a) To invest and reinvest in any property, real, personal or mixed, wherever situated and whether or not productive of income or consisting of wasting assets, including without limitation, common and preferred stocks, bonds, notes, debentures (including convertible stocks and securities but not including any stock or security of the Trustee, an Investment Manager (as provided in Section 6.6 of this Agreement) or any affiliate thereof), leaseholds, mortgages, certificates of deposit or demand or time deposits (including any such deposits with the Trustee), shares of investment companies and mutual funds, interests in partnerships and trusts, insurance policies and annuity contracts (in accordance with Section 4.6 hereof), and oil, mineral or gas properties, royalties, interests or rights, without being limited to the classes of property in which trustees are authorized to invest by any law or any rule of court of any state and without regard to the proportion any such property may bear to the entire amount of the Trust Fund;

(b) To invest and reinvest all or any portion of the Trust Fund collectively through the medium of any common, collective or commingled trust fund that may be established and maintained by the Trustee, subject to the instrument or instruments establishing such trust fund or funds and with the terms of such instrument or instruments, as from time to time amended, being incorporated into this Agreement to the extent of the equitable share of the fund in any such common, collective or commingled trust fund;

(c) To retain any property at any time received by the Trustee;

(d) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;

(e) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;

(f) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof and any assessments levied with respect to any such property so deposited;

(g) To extend the time of payment of any obligation held by it;

(h) To hold uninvested any moneys received by it, without liability for interest thereon, until such moneys shall be invested, reinvested or disbursed;

(i) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise;

(j) To manage, administer, operate, insure, repair, improve, develop, preserve, mortgage, lease or otherwise deal with, for any period, any real property or any oil, mineral or gas properties, royalties, interests or rights held by it directly or through any corporation, either alone or by joining with others, using other Trust assets for any such purposes, to modify, extend, renew, waive or otherwise adjust any provision of any such mortgage or lease and to make provision for amortization of the investment in or depreciation of the value of such property;

(k) To employ suitable agents and counsel, who may be counsel to the Company or the Trustee, and to pay their reasonable expenses and compensation from the Trust Fund to the extent not paid by the Company;

(l) To cause any property held by it to be registered and held in the name of one or more nominees, with or without the addition of words indicating that such securities are held in a fiduciary capacity, and to hold securities in bearer form;

(m) To settle compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;

(n) To organize under the laws of any state a corporation or trust for the purpose of acquiring and holding title to any property which it is authorized to acquire hereunder and to exercise with respect thereto any or all of the powers set forth herein;

(o) To appoint or discharge an Investment Manager (as provided in Section 6.6);

(p) Upon reasonable notice, to acquire the assets in the Trust Fund, in whole or in part, by substituting assets of equal or greater value and investment quality to such assets reacquired, provided such substitute assets may properly be held by the Trustee under the terms of this Agreement. No substitution of assets shall be permitted unless, immediately following such substitution, all Plans funded pursuant to Section 2.2 of this Agreement are funded at an amount equal to or greater than the funded amount immediately prior to such substitution of assets;

(q) To use Trust Fund assets to purchase shares of Company stock; provided, that shares of Company Stock shall not become assets of the Trust Fund unless such shares would be treated as issued and outstanding under the laws of the Company's state of incorporation; and

(r) To invest and reinvest all or any portion of the Trust Fund in futures and option contracts in accordance with applicable law; and

(s) To purchase annuity contracts from a licensed insurance company as an investment for assets of the Trust Fund or for purposes of distributing annuity contracts to Participants and Beneficiaries as provided under the Plans; and

(t) Generally, to do all acts, whether or not expressly authorized, that the Trustee (or the Company or Investment Manager, to the extent applicable) may deem necessary or desirable for the protection of the Trust Fund; and

(u) To invest the assets of the Trust Fund in such other investments as may be permitted by applicable law, provided such investments are consistent with the intent and purpose of the Trust.

6.3 No person dealing with the Trustee shall be under any obligation to see to the proper application of any money paid or property delivered to the Trustee or to inquire into the Trustee's authority as to any transaction.

6.4 (a) The Trustee shall distribute cash or property from the Trust Fund in accordance with Article IV hereof.

(b) The Trustee may make any distribution required hereunder by mailing its check for the specified amount, or delivering the specified property, to the person to whom such distribution or payment is to be made, at such address as may have been last furnished to the Trustee, or if no such address shall have been so furnished, if so directed by the Company, by crediting the account of such person or by transferring funds to such person's account by bank or wire transfer.

6.5 If at any time there is no person authorized to act under this Agreement in behalf of the Company, the Board or its delegate shall have the authority to act hereunder.

6.6 (a) The Company's Corporate Vice President - Investment Management (other than during a Potential Change in Control Period and upon a Change in Control) or the Trustee (during a Potential Change in Control Period and upon a Change in Control) may from time to time in the exercise of their fiduciary responsibilities under this Agreement appoint one or more Investment Managers to manage all or any portion of the Trust Fund and, with respect to such portion, to direct the Trustee with respect to effecting investment transactions on behalf of the Trust Fund and exercising such other powers as may be granted to Investment Managers hereunder. Other than during a Potential Change in Control Period and upon a Change in Control, the Company's Corporate Vice President - Investment Management shall give prompt written notice to the Trustee of any such appointment, upon which the Trustee shall rely until it receives from the Company's Corporate Vice President - Investment Management written notice of the termination of such appointment. In each case where such an appointment is made, the Company's Corporate Vice President - Investment Management or the Trustee, as the case may be, shall determine the assets of the Trust Fund to be allocated to the Investment Manager from time to time and the Company's Corporate Vice President - Investment Management, if applicable, shall issue appropriate instructions to the Trustee with respect thereto.

(b) For the purpose of this Agreement, the term "Investment Manager" shall mean a person (who shall not be a participant in any of the Plans) or entity described as follows: An investment manager who has been appointed by the Company (or by the Trustee during a Potential Change in Control Period and upon a Change in Control) pursuant to this Agreement to serve as such hereunder and who is and has acknowledged in writing that he is (A) a fiduciary with respect to the Plans; and (B) either (1) an investment advisor registered under the Investment Advisors Act of 1940, (2) a bank, as defined in the Investment Advisors Act of 1940, (3) a state or federally chartered savings bank, savings and loan association or other thrift
institution, or (4) an insurance company qualified under the laws of more than one state to manage, acquire or dispose of the assets of the Trust Fund.

(c) The appointment of an Investment Manager by the Company's Corporate Vice President - Investment Management shall become effective on the date specified in such authorization but not before delivery of such authorization to the Trustee.

(d) Any Investment Manager who is appointed hereunder must furnish the Trustee with a written acknowledgment of the facts set forth in Section 6.6(b).

(e) To the extent that the Trust Fund or any portion thereof is subject to the control of an Investment Manager, the Trustee (i) shall not have exclusive management and control over that portion of the Trust Fund; (ii) shall not invest or otherwise manage and control that portion of the Trust Fund which is under the management and control of such Investment Manager; (iii) shall take investment action only upon the written instruction of such Investment Manager; and (iv) shall be subject to the directions of such Investment Manager properly given pursuant to this Agreement. Purchase and sale orders may be placed by such Investment Manager directly with brokers and/or dealers without the intervention of the Trustee, and, in such event, the Trustee's sole obligation shall be to make payment for purchased assets and deliver those assets that have been sold when advised of the transaction. To the extent that an Investment Manager has been appointed by the Company's Corporate Vice President - Investment Management prior to the earlier of a Potential Change in Control Period and a Change in Control, the Trustee shall not have any duty concerning the investment of the portion of the Trust Fund managed by such Investment Manager or to review or make any recommendation of its own with respect to the making or retention of any such investment prior to the earlier of a Potential Change in Control Period and a Change in Control. Thereafter, the Trustee shall have the duty to question the soundness of such Investment Manager's instructions and shall review and make recommendations with respect to investments. The Trustee shall have no liability to any person for any action taken or omitted in accordance with any directions given by the aforementioned Investment Manager, or for the failure of such Investment Manager to give such directions prior to the earlier of a Potential Change in Control Period and a Change in Control. Thereafter, the Trustee shall be liable for any such action or inaction.

(f) All restrictions imposed by Article VI upon the Trustee concerning the Trustee's dealings in stock of the Company and the Company's right to direct investments and all duties of care and prudence also shall apply to any Investment Manager.

## ARTICLE VII
## Trust Fees and Expenses

7.1 The Company shall pay any Federal, state or local taxes on the Trust Fund, or any part thereof, and on the income therefrom.

7.2 The Company shall pay to the Trustee its reasonable expenses for the management and administration of the Trust Fund, including, without limitation, advances for or prompt reimbursement of reasonable expenses of counsel and other agents employed by the Trustee, and reasonable compensation for its services as Trustee hereunder, the fee schedules of which shall be agreed upon in advance from time to time by the Company's Corporate Vice President - Investment Management and the Trustee in writing. Except as provided below, the Trustee shall not deduct such fees and expenses from the assets of the Trust Fund. During a Potential Change in Control Period or upon a Change in Control, upon failure of the Company to pay such compensation and expenses of the Trustee, the Trustee may satisfy such obligations out of the assets of the Trust Fund, but only to the extent of the assets specifically contributed for the payment of expenses pursuant to Section 2.2 or otherwise allocated for such purpose pursuant to Section 2.4. The Trustee shall not be entitled or permitted to reduce any Participant's benefits payable from an Account for the payment of Trustee expenses. The Company shall remain responsible for all fees and expenses incurred by the Trustee and not otherwise reimbursed from the Trust Fund.

ARTICLE VIII
Records and Accounting

8.1 The Trustee shall maintain records with respect to the Trust Fund that show all its receipts and disbursements hereunder. The records of the Trustee with respect to the Trust Fund shall be open to inspection by the Company, or its representatives, at all reasonable times during normal business hours of the Trustee and may be audited not more frequently than once each fiscal year by an independent certified public accountant engaged by the Company.

8.2 Within a reasonable time after the close of each fiscal year of the Company (or, in the Company's discretion, at more frequent intervals), or of any termination of the duties of the Trustee hereunder, the Trustee shall prepare and deliver to the Company a statement of transactions reflecting its acts and transactions as Trustee during such fiscal year, portion thereof or during such period from the close of the last fiscal year or last statement period to the termination of the Trustee's duties, respectively, including a statement of the then current value of the Trust Fund. At the request of the Company's Corporate Vice President - Investment Management, the Trustee shall prepare and furnish to the Company a statement of the then current value of each Account and benefit entitlement of each Participant and Beneficiary of any Plan covered by such Account. Any such statement by the Trustee shall be deemed an account stated and accepted and approved by the Company, and the Trustee shall be relieved and discharged, as if such account had been settled and allowed by a judgment or decree of a court of competent jurisdiction, unless protested by written notice to the Trustee within sixty (60) days of receipt thereof by the Company.

8.3 The Trustee shall have the right to apply at any time to a court of competent jurisdiction for judicial settlement of any account of the Trustee not previously settled as herein provided or for the determination of any question of construction or for instructions. In any such action or proceeding it shall be necessary to join as parties only the Trustee and the Company
(although the Trustee may also join such other parties as it may deem appropriate), and any judgment or decree entered therein shall be conclusive.

ARTICLE IX
Resignation, Removal or Replacement of Trustee

9.1 Provided that a Potential Change in Control or a Change in Control has not occurred, the Trustee may resign at any time by delivering written notice thereof to the Company; provided, however, that no such resignation shall take effect until the earlier of (i) sixty (60) days after the date of delivery of such notice to the Company or (ii) the appointment of a successor trustee.

9.2 Provided that a Potential Change in Control or a Change in Control has not occurred, the Trustee may be removed at any time by the Company's Corporate Vice President - Investment Management, upon delivery to the Trustee of a certified copy of such resolution and sixty (60) days' written notice; provided , however , that advance written notice will not be required if (a) such notice period is waived in whole or in part by the Trustee, (b) there has been a breach of fiduciary duty by the Trustee, or (c) there has been a material breach by the Trustee of the terms of this Agreement.

9.3 Provided that a Potential Change in Control or a Change in Control has not occurred, upon the resignation or removal of the Trustee, a successor trustee shall be appointed by the Company's Corporate Vice President - Investment Management. Such successor trustee shall be a bank or trust company (i) established under the laws of the United States or a State within the United States, (ii) authorized to exercise trust powers, (iii) is among the 100 largest banks in the United States, as measured by deposits or assets, (iv) which is not an affiliate of the Company, and (v) which satisfies all minimum capital and surplus requirements imposed by any federal or state law or regulatory agency. Such appointment shall take effect upon the delivery to the Trustee of (a) a written appointment of such successor trustee, duly executed by the Company, and (b) a written acceptance by such successor trustee, duly executed thereby. Any successor trustee shall have all rights, powers and duties granted the Trustee hereunder.

9.4 If, within sixty (60) days after the delivery of the Trustee's written notice of resignation pursuant to Section 9.1 hereof, a successor trustee shall not have been appointed, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor trustee. The date of appointment of a successor trustee shall take effect as provided in Section 9.3.

9.5 During a Potential Change in Control Period and upon a Change in Control, the Company's Corporate Vice President - Investment Management shall have no power to remove the Trustee, but following such occurrence the Trustee may be removed and a successor trustee appointed pursuant to the procedures hereinafter set forth in this Section 9.5 or may resign by delivering written notice thereof to the Company; provided, however, that no such removal shall take effect until the effective date of appointment of a successor trustee in accordance with Section 9.3 and no such resignation shall take effect until the later of (i) sixty (60) days after the date of delivery of written notice to the Company or (ii) the effective date of appointment of a successor trustee. The appointment of a successor trustee following the Trustee's resignation or the removal of the Trustee and appointment of a successor trustee, as described above, shall be accomplished by the written agreement of at least sixty-five percent (65%) of the Participants and Beneficiaries (existing at the commencement of a Potential Change in Control Period or on the date of a Change in Control, whichever is applicable) entitled to benefits payable (at that time or in the future) from the Trust Fund and written notice to the Trustee. For purposes of the preceding sentence, a Beneficiary shall be considered in calculating the sixty-five percent (65%) requirement only after the death of the corresponding Participant. An independent bank selected by the Trustee shall tabulate all votes under this Section 9.5 and, upon completion of such tabulation and forwarding of certified results satisfactory to the Trustee that the written agreement of at least sixty-five percent (65%) of all Participants and Beneficiaries has been obtained, the Trustee shall be removed.

9.6 In the event that a successor trustee shall not be appointed pursuant to Section 9.5 hereof within ninety (90) days following the date of delivery of written notice of removal to the Trustee or the date of delivery of written notice of resignation to the Company, the Trustee, in its discretion, either shall appoint a successor trustee or shall apply to a court of competent jurisdiction requesting that such appointment be made. Any successor trustee appointed pursuant to Section 9.5 or this Section 9.6 shall satisfy the successor trustee requirements set forth in Section 9.3 hereof, and such appointment shall take effect upon the delivery to the Trustee and the Company of a written acceptance by such successor trustee, duly executed thereby. Any such successor trustee shall have all the rights, powers and duties granted the Trustee hereunder.

9.7 Upon the removal or resignation of the Trustee and the appointment of a successor trustee, and after the acceptance and approval of the Trustee's account, the Trustee shall transfer and deliver the Trust Fund to such successor together with all records pertaining to the Trust Fund and benefits payable from the Trust Fund. Under no circumstances shall the Trustee transfer or deliver the Trust Fund to any successor which does not satisfy the successor trustee requirements set forth in Section 9.3 hereof.

ARTICLE X
Termination of Trust

10.1 The Trust established pursuant to this Agreement may not be terminated by the Company prior to the first to occur of (a) satisfaction of all vested and nonvested liabilities with respect to all Participants in the Plans and their Beneficiaries or (b) the twenty-first anniversary of the death of the last survivor of the Participants or Beneficiaries who are in being on the date of this Agreement. A written certification from the Trustee that all liabilities have been satisfied with respect to all Participants in the Plans and their Beneficiaries shall be required prior to termination of the Trust. The Board of Directors may terminate the Trust upon receipt of the Trustee's certification and delivery by the Board of Directors to the Trustee of (a) a certified copy of a resolution of the Board of Directors terminating the Trust, and (b) a written instrument of termination duly executed and acknowledged in the same form as this Agreement.

10.2 Upon the termination of the Trust in accordance with Section 10.1, the Trustee shall, after the acceptance and approval of its account, distribute the Trust Fund to the Company. Upon completing such distribution, the Trustee shall be relieved and discharged. The powers and duties of the Trustee shall continue as long as any part of the Trust Fund remains in its possession.

ARTICLE XI
Amendment of Trust

11.1 Other than during a Potential Change in Control Period and upon a Change in Control, this Agreement may be amended, in whole or in part, at any time and from time to time, by the Company's Corporate Vice President - Investment Management, with the consent of the Trustee, which consent shall not be withheld unreasonably, pursuant to a written instrument executed by the Company's Corporate Vice President - Investment Management and the Trustee. Notwithstanding the foregoing, prior to a termination of the Trust as and to the extent currently provided for under Article X hereof and subject to the current provisions of Article III hereof, no amendment of this Agreement may be made (either prior to or following a Change in Control) which would have the effect of (i) eliminating or reducing the Company's obligation to make contributions to the Trust Fund in the event of a

Potential Change in Control and a Change in Control as set forth under Article II hereof, (ii) except to the extent currently permitted under this Agreement, permitting the use of the assets of the Trust Fund for any purpose other than providing benefits to Participants and Beneficiaries and defraying the reasonable expenses of the Trust as currently contemplated hereunder, or (iii) changing the current definitions of Potential Change in Control, Potential Change in Control Period and Change in Control or altering the current provisions of this Article XI, in each case in a manner which is adverse to the interests of the Participants and Beneficiaries; unless , in each such instance, any such amendment is approved in writing by at least sixty-five percent (65%) of the Participants and Beneficiaries entitled to benefits payable (at that time or in the future) from the Trust Fund. During a Potential Change in Control Period and upon a Change in Control, this Agreement may be amended only by the Trustee with the written agreement of at least sixty-five percent (65%) of the Participants and Beneficiaries (existing at the commencement of a Potential Change in Control Period or on the date of a Change in Control, whichever is applicable) entitled to benefits payable (at that time or in the future) from the Trust Fund. For purposes of the preceding sentences, a Beneficiary shall be considered in calculating the sixty-five percent (65%) requirement only after the death of the corresponding Participant. The Trustee shall tabulate all votes under this Section 11.1 and, upon completion of such tabulation and forwarding of certified results to the Company, the Agreement shall be amended.

## ARTICLE XII
## Miscellaneous

12.1 This Agreement shall be construed and interpreted under, and the Trust hereby created shall be governed by the laws of the State of New Jersey without regard to the conflicts of law principles insofar as such laws do not contravene any applicable Federal laws, rules or regulations.

12.2 Neither the gender not the number (singular or plural) of any word shall be construed to exclude another gender or number when a different gender or number would be appropriate.

12.3 No right or interest of any Participant under the Plans in the Trust Fund shall be transferable or assignable or shall be subject to alienation, anticipation or encumbrance, and no right or interest of any Participant or Beneficiary in the Plans or in the Trust Fund shall be subject to any garnishment, attachment or execution. The Trust Fund shall at all times remain subject to claims of creditors of the Company in the event the Company becomes insolvent as provided in Section 3.1.

12.4 The Company agrees that by the establishment of this Trust it hereby foregoes any judicial review of certifications by the Trustee as to the benefit payable to any persons hereunder. If a dispute arises between the Trustee and the Company as to the amounts or timing of any such benefits or the persons entitled thereto under the Plans or this Agreement, the Company agrees that such dispute shall be resolved by binding arbitration proceedings initiated in accordance with the rules of the American Arbitration Association and that the results of such proceedings shall be conclusive and shall not be subject to judicial review. It is expressly understood that pending the resolution of any such dispute payment of benefits shall be made and continued by the Trustee in accordance with the certification of the Trustee and that the Trustee shall have no liability with respect to such payments, provided that such payments under the Plans were reasonable based on all of the facts and circumstances. The Company also agrees to pay the entire cost of any arbitration or legal proceeding initiated under the Trust Fund including the legal fees of the Trustee and the Plan Participant or the Beneficiary of any deceased Plan Participant regardless of the outcome of any such proceeding.

12.5 This Agreement shall be binding upon and inure to the benefit of any successor to the Company or its business as the result of merger, consolidation, reorganization, transfer of assets or otherwise and any subsequent successor thereto shall promptly notify the Trustee in writing of its successorship and furnish the Trustee with the information specified in Section 5.1 of this Agreement. In no event shall any such transaction described herein suspend or delay the rights of Plan Participants or the Beneficiaries of deceased participants to receive benefits hereunder.

12.6 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one Agreement.

12.7 Communications to the Trustee shall be sent to Wachovia Bank of North Carolina, N.A., Employee Benefit Trust Services, 301 North Main Street, Winston-Salem, NC 27150-3099 - Attention: Senior Vice President-Manager of Legal Administration or to such other address as the Trustee may specify in writing. No communication shall be binding upon the Trustee until it is received by the Trustee. Communications to the Company shall be sent to the offices of the Company's Corporate Vice President - Investment Management or to such other address or person as the Company may specify in writing.

12.8 In the event any Participant or his Beneficiary is determined to be subject to Federal income tax on any amount to the credit of his Account under this Agreement prior to the time of payment hereunder, the entire amount determined to be so taxable shall be distributed by the Trustee to such Participant or Beneficiary. An amount to the credit of a Participant's Account shall be determined to be subject to Federal income tax upon the earlier of: (a) a final determination by the United States Internal Revenue Service addressed to the Participant or his Beneficiary which is not appealed to the courts; or (b) a final determination by the United States Tax Court or any other Federal Court affirming any such determination by the Internal Revenue Service. The Company may undertake at its sole expense to defend any tax claims described in this Section which are asserted by the Internal Revenue Service against any Participant or Beneficiary, including attorneys' fees and costs of appeal, and, if the Company undertake to defend, the Company shall have the sole authority to determine whether or not to appeal any determination made by the Internal Revenue Service or by a lower court. The Company shall reimburse any Participant or Beneficiary for any interest or penalties in respect of tax claims hereunder upon receipt of documentation of same. Any distributions from the Trust Fund to a Participant or Beneficiary under this Section 12.8 shall be applied to reduce Company liabilities to such Participant and/or Beneficiary under the Plans.

IN WITNESS WHEREOF, the parties hereto have caused this amended and restated Trust Agreement to be duly executed and their respective corporate seals to be hereto affixed this 13th day of January , 1994.

Attest:

WACHOVIA BANK OF NORTH CAROLINA,
N.A., As Trustee

By /s/ Joe O Long
Its Senior Vice President

Attest:

AMERICAN TELEPHONE AND TELEGRAPH
COMPANY

/s/ RE. Scannell

By /s/ DP Feldman
Its Corporate Vice
President - Investment
Management

STATE OF NORTH CAROLINA )ss:
COUNTY OF STOKES )

Personally appeared Joe O. Long, Senior Vice President of Wachovia Bank of North Carolina, N.A., signer and sealer of the foregoing instrument, and acknowledged the same to be his free act and deed as such Senior Vice President and the free act and deed of said Company, before me.

/s/ Bonnie D. Hartsoe
Notary Public

STATE OF NEW JERSEY )

)ss:

COUNTY OF UNION )

Personally appeared David P. Feldman, Corporate Vice President - Investment Management of American Telephone and Telegraph Company, signer and sealer of the foregoing instrument, and acknowledged the same to be his free act and deed as such Corporate Vice President - Investment Management and the free act and deed of said Company, before me.

/s/ Uday P. Shah
Notary Public

Account A

1. American Telephone and Telegraph Company Non-Qualified Pension Plan
2. American Telephone and Telegraph Company Mid-Career Pension Plan
3 American Telephone and Telegraph Company Excess Benefit Plan
4. American Telephone and Telegraph Company Senior Management Long-Term Disability and Survivor Protection Plan

Account B

1. American Telephone and Telegraph Company Senior Management Incentive Award Deferral Plan

**Exhibit 10-nn(i)**

**AMERICAN TELEPHONE AND TELEGRAPH COMPANY**
**BENEFITS PROTECTION TRUST**

**FIRST AMENDMENT**

WHEREAS, effective May 1, 1992, AT&T Corp. (formerly American Telephone and Telegraph Company) (the "Company") entered into an agreement which was subsequently amended and restated effective January 13, 1994 (the "Agreement") with Wachovia Bank, N.A. (formerly Wachovia Bank of North Carolina, N.A.), as Trustee ("Trustee"), to provide certain assurances to senior managers of AT&T Corp. in connection with its nonqualified benefit plans and programs; and

WHEREAS, Lucent Technologies Inc. has entered into an Employee Benefits Agreement with the Company wherein Lucent Technologies Inc. has agreed to contribute cash to a generally comparable successor trust ("Lucent Trust") established by Lucent Technologies Inc. in order to ensure that neither this amendment nor the allocation of trust assets will adversely affect senior managers whose nonqualified benefit plan liabilities were transferred to Lucent Technologies Inc.; and

WHEREAS, the Company has completed a tax-free reorganization under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended, whereby the Company's ownership interest in its subsidiary, Lucent Technologies Inc., was transferred to shareholders of the Company; and

WHEREAS, the Company and the Trustee desire to transfer certain trust assets to the Lucent Trust; and

WHEREAS, the Company and the Trustee have agreed to amend the Trust to expressly provide for this result, and to provide for certain administrative changes to the Agreement.

NOW, THEREFORE, the Company and the Trustee (each for itself) agree as follows, effective as of the date of this First Amendment.

1. The name "American Telephone and Telegraph Company Benefits Protection Trust with Wachovia Bank of North Carolina, N.A., as Trustee" shall be amended each and every place it appears to read as follows: "AT&T Corp. Benefits Protection Trust."

2. Except as otherwise expressly provided in this First Amendment, the name "American Telephone and Telegraph Company" shall be replaced by the name "AT&T Corp.", and the name "Wachovia Bank of North Carolina, N.A." shall be replaced by the name "Wachovia Bank, N.A.", where applicable, each and every place they respectively appear.

3. Article IX of the Trust is amended by adding a new Section 9.8 to read as follows:

   (a) The Company shall determine, as of September 30, 1996, on a reasonable actuarial basis, the liabilities of the Company related to senior managers whose employment was assigned from the Company to Lucent Technologies Inc., under the plans and arrangements (other than the AT&T Senior Management Incentive Award Deferral Plan) covered under the Trust. Subject to subparagraph (b) of this Section 9.8, following completion of this actuarial determination and the reporting of such information to the Trustee, and upon written direction by the Chairman and Chief Executive Officer of the AT&T Investment Management Corporation (or his delegate), the Trustee shall transfer or assign to the Lucent Technologies Inc. Benefits Protection Trust, a successor trust ("Lucent Trust"), and the Trustee hereby agrees to so transfer or assign (1) one trust-owned life insurance policy, Group Policy No. G-23334 (regardless of the entity to which the insured individuals have been assigned), and (2) all cash in the Trust, as determined by the Company in a manner consistent with subparagraph (b) below, provided, however, that no assets shall be transferred to the Lucent Trust until the Trustee has satisfied itself that contributions required by Lucent Technologies Inc. to the Lucent Trust (as described in subparagraph (b) below) have been made prior to or concurrent with this transfer or assignment

   (b) Notwithstanding the foregoing, the Trustee shall be permitted to transfer or assign assets from the Trust to the Lucent Trust only if the transfer and assignment are consistent with the purpose and intent of the Trust and provided that, prior to or concurrent with the transfer or assignment of assets from the Trust to the Lucent Trust, and including any additional cash contributions by Lucent Technologies Inc. to the Lucent Trust, the ratio of the value of the assets in the Lucent Trust (determined as of the date of the asset transfer or assignment) to the liabilities under the executive benefit plans covered under the Lucent Trust (other than liabilities under the Lucent Technologies Inc. Officers Incentive Award Deferral Plan) (determined as of September 30, 1996), as determined by the actuary for the Company, will immediately thereafter not be less than the ratio of assets (determined as of the date of the asset transfer or assignment) to liabilities under the Trust (other than liabilities associated with the AT&T Senior Management Incentive Award Deferral Plan)(determined as of September 30, 1996) immediately before the allocation of such assets to the Lucent Trust. For purposes of this Section 9.8, liabilities shall be determined based upon the "Full Funding Amount" as defined in Section 2.5 of the Trust.

   (c) Following the Trustee's receipt of written notice from the Chairman and Chief Executive Officer of the AT&T Investment Management Corporation (or his delegate), the Trustee shall effect the transfers and assignments as so directed pursuant to the Company's instructions and the terms of this Agreement.

In all other respects, the Trust Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, AT&T Corp. has caused this First Amendment to the Trust Agreement to be signed by the Chairman and Chief Executive Officer of AT&T Investment Management Corporation and AT&T Corp. Vice President, thereunto duly authorized, and its corporate seal to be affixed hereunto and the same to be attested by its Secretary or an Assistant Secretary; and the Trustee has caused this First Amendment to the Trust Agreement to be signed by one of its authorized officers, thereunto duly authorized, and its association seal to be affixed hereunto and the same to be attested by an Assistant Secretary or by one of its officers, thereunto duly authorized, all as of this 23rd day of December , 1997.

AT&T CORP.

BY: /s/ S. Lawrence Prendergast
S. Lawrence Prendergast
Chairman and Chief Executive Officer
AT&T Investment Management Corporation, and
Vice President of AT&T Corp.

Attest:

/s/ Robert A. Maynes
Assistant Secretary

WACHOVIA BANK, N.A., AS TRUSTEE

BY: /s/ Beverly H. Wood
Title: Senior Vice President

Attest:

_____

**Acknowledgment**

STATE OF NEW JERSEY )
) ss.:
COUNTY OF SOMERSET )

On this 23rd day of December , in the year 1997, before me personally came S. Lawrence Prendergast, to me known, who, being by me duly sworn, did depose and say that he resides at Van Buren Rd., Morristown, NJ. that he is Chairman and Chief Executive Office of the AT&T Investment Management Corporation and a Vice President of AT&T Corp., that he has been delegated authority to execute this First Amendment on behalf of AT&T Corp., the corporation described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

/s/ Louise M. Tomchack
Notary Public

**Acknowledgment**

STATE OF NORTH CAROLINA )
) ss.:
COUNTY OF FORSYTH )

On this 23rd day of December , in the year 1997, before me personally came Beverley H. Wood , to me known, who, being by me duly sworn, did depose and say that he resides at 509 Westpark Circle Winston-Salem, NC. , that he is Senior Vice President of Wachovia Bank, N.A., the trust company described in and which executed the above instrument; that he knows the association seal of said trust company; that the seal affixed to the said instrument is such association seal; that it was so affixed by authority of the Board of Directors of said trust company, and that he signed his name thereto by like authority.

/s/ Marilyn J. Schaefer
Notary Public

**AT&T 1997 LONG TERM INCENTIVE PROGRAM**
**(as amended May 19, 1999 and March 14, 2000)**

**SECTION 1. PURPOSE.** The purposes of the AT&T 1997 Long Term Incentive Program (the "Plan") are to encourage selected employees and Non-Employee Directors of AT&T Corp. (the "Company") and its Affiliates to acquire a proprietary and vested interest in the growth and performance of the Company, to generate an increased incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of shareholders, and to enhance the ability of the Company and its Affiliates to attract and retain individuals of exceptional managerial talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends.

**SECTION 2. DEFINITIONS.** As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean (i) any Person that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company or (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.

(b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Performance Share, Performance Unit, Dividend Equivalent, Other Stock Unit Award, or any other right, interest, or option relating to Shares or other property granted pursuant to the provisions of the Plan.

(c) "Award Agreement" shall mean any written agreement, contract, or other instrument or document evidencing any Award granted by the Committee hereunder, which may, but need not, be executed or acknowledged by both the Company and the Participant.

(d) "Board" shall mean the Board of Directors of the Company.

(e) "Change in Control" shall mean the happening of any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Section 13 (d) (3) or 14 (d) (2) of the Exchange Act) (an "Entity") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding AT&T Shares (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (1) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 2(e);

(ii) A change in the composition of the Board such that the individuals who, as of the effective date of the Plan, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided , however , that for purposes of this definition, any individual who becomes a member of the Board subsequent to the effective date of the Plan, whose election, or nomination for election, by the Company's stockholders was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; and provided , further however , that any such individual whose initial assumption of office occurs as a result of or in connection with either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be so considered as a member of the Incumbent Board;

(iii) The approval by the stockholders of the Company of a merger, reorganization or consolidation or sale or other disposition of all or substantially all of the assets of the Company (each, a "Corporate Transaction") or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation or other Person which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries (a "Parent Company")) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, such corporation resulting from such Corporate Transaction or, if reference was made to equity ownership of any Parent Company for purposes of determining whether clause (A) above is satisfied in connection with the applicable Corporate Transaction, such Parent Company) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors unless such ownership resulted solely from ownership of securities of the Company prior to the Corporate Transaction, and (C) individuals who were members of the Incumbent Board will immediately after the consummation of the Corporate Transaction constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction (or, if reference was made to equity ownership of any Parent Company for purposes of determining whether clause (A) above is satisfied in connection with the applicable Corporate Transaction, of the Parent Company); or

(iv) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(f) "Change in Control Price" means, with respect to an AT&T Share or a Wireless Group Share, as the case may be, the higher of (A) the highest reported sales price, regular way, of such Share in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such Shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change in Control or (B) if the Change in Control is the result of a tender or exchange offer or a Corporate Transaction, the highest price per such Share paid in such tender or exchange offer or Corporate Transaction; provided however , that in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change in Control Price shall be the Fair Market Value of such Share on the date such Incentive Stock Option or Stock Appreciation Right is exercised or deemed exercised pursuant to Section 11(b). To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

(g) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(h) "Committee" shall mean the Compensation and Employee Benefits Committee of the Board, or any successor to such committee, composed of no fewer than two directors each of whom is a Non-Employee Director and an "outside director" within the meaning of Section 162(m) of the Code, or any successor provision thereto.

(i) "Company" shall mean AT&T Corp., a New York corporation.

(j) "Covered Employee" shall mean a "covered employee" within the meaning of Section 162(m)(3) of the Code, or any successor provision thereto.

(k) "Employee" shall mean any employee of the Company or of any Affiliate. Unless otherwise determined by the Committee in its sole discretion, for purposes of the Plan, an employee shall be considered to have terminated employment and to have ceased to be an Employee if his or her employer ceases to be an Affiliate, even if he or she continues to be employed by such employer.

(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" shall mean, with respect to any property, the market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(n) "Incentive Stock Option" shall mean an Option granted under Section 6 hereof that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

(o) "Non-Employee Director" shall have the meaning set forth in Rule 16b-3(b)(3) promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission.

(p) "Nonstatutory Stock Option" shall mean an Option granted under Section 6 hereof that is not intended to be an Incentive Stock Option.

(q) "Option" shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.

(r) "Other Stock Unit Award" shall mean any right granted to a Participant by the Committee pursuant to Section 10 hereof.

(s) "Participant" shall mean an Employee or Non-Employee Director who is selected by the Committee to receive an Award under the Plan.

(t) "Performance Award" shall mean any Award of Performance Shares or Performance Units pursuant to Section 9 hereof.

(u) "Performance Period" shall mean that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

(v) "Performance Share" shall mean any grant pursuant to Section 9 hereof of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(w) "Performance Unit" shall mean any grant pursuant to Section 9 hereof of a unit valued by reference to a designated amount of property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(x) "Person" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.

(y) "Restricted Stock" shall mean any Share issued with the restriction that the holder may not sell, transfer, pledge, or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including, without limitation, any restriction on the right to vote such Share, and the right to receive any cash dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

(z) "Restricted Stock Award" shall mean an award of Restricted Stock under Section 8 hereof.

(Aa) "Senior Manager" shall mean any Employee of the Company or any Affiliate holding a position above E band or any future salary band that is the equivalent thereof.

(Bb) "Shares" shall mean, collectively or as the case may be, (i)the shares of AT&T Common Stock of the Company, $1.00 par value ("AT&T Shares"), and (ii) the shares of Wireless Group Common Stock of the Company, $1.00 par value ("Wireless Group Shares"). "Outstanding Wireless Group Shares" shall mean, as at any date of determination, the sum of (i) the total issued and outstanding Wireless Group Shares, plus (ii) the number of Wireless Group Shares represented by the inter-group interest held by the "AT&T Common Stock Group" (as described the Company's Proxy Statement dated January 26, 2000). The numbers of AT&T Shares referred to in the Plan have been adjusted to reflect the Company's 3 for 2 stock split effective April 15, 1999.

(Cc) "Stock Appreciation Right" shall mean any right granted to a Participant pursuant to Section 7 hereof to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to any Incentive Stock Option, at any time during a specified period before the date of exercise over (ii) the grant price of the right on the date of grant, or if granted in connection with an outstanding Option on the date of grant of the related Option, as specified by the Committee in its sole discretion, which, except in the case of Substitute Awards or in connection with an adjustment provided in Section 4(e), shall not be less than the Fair Market Value of one Share on such date of grant of the right or the related Option, as the case may be. Any payment by the Company in respect of such right may be made in cash, Shares, other property, or any combination thereof, as the Committee, in its sole discretion, shall determine.

(Dd) "Subsidiary" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

(Ee) "Substitute Awards" shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or with which the Company combines.

**SECTION 3. ADMINISTRATION.** The Plan shall be administered by the Committee. The Committee shall have full power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Employees of the Company and its Affiliates and Non-Employee Directors of the Company to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Award to be granted to each Participant hereunder; (iii) determine the number of Shares to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder; (v) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property or canceled or suspended; (vi) determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant; (vii) interpret and administer the Plan and any instrument or agreement entered into under the Plan; (viii) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan. Decisions of the Committee shall be final, conclusive and binding upon all persons, including the Company, any Participant, any shareholder, and any employee of the Company or of any Affiliate. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings. Notwithstanding the foregoing or anything else to the contrary in the Plan, any action or determination by the Committee specifically affecting or relating to an Award to a Non-Employee Director shall be approved and ratified by the Board.

**SECTION 4. SHARES SUBJECT TO THE PLAN.**

(a) Subject to adjustment as provided in Section 4(e), a total of twenty-two and one half (22.5) million AT&T Shares shall be available for a one time grant of Options to substantially all Employees during 1997. Shares available for such one time grant of Options, but not used for such Options, shall be available for other Awards under the Plan, in 1997 or later years.

(b) In addition to the number of AT&T Shares available under Section 4(a), and subject to adjustment as provided in Section 4(e), a total of (i) one hundred twenty-seven and one half (127.5) million AT&T Shares, and (ii) a number of Wireless Group Shares equal to 5.00% of the number of Outstanding Wireless Group Shares shall be available for Awards granted under the Plan; provided that, commencing on January 1, 2000 and on each subsequent January 1 throughout the term of the Plan, an additional number of AT&T Shares shall be added to the number of AT&T Shares available for Awards granted under the Plan, which additional number of AT&T Shares shall be calculated by multiplying (x) the number of AT&T Shares outstanding on such January 1, by (y) 1.75%; provided , further , that the number of AT&T Shares available for Awards other than Options and/or Stock Appreciation

Rights shall not exceed thirty-seven and one half (37.5) million; and provided further that, commencing on January 1, 2001 and on each subsequent January 1 throughout the term of the Plan, an additional number of Wireless Group Shares shall be added to the number of Wireless Group Shares available for Awards granted under the Plan, which additional number of Wireless Group Shares shall be calculated by multiplying (x) the number of Outstanding Wireless Group Shares on such January 1, by (y) 2.00%; provided, further, that the number of Wireless Group Shares available for Awards other than Options and/or Stock Appreciation Rights shall not exceed 1.25% of the number of Outstanding Wireless Group Shares; and provided , further , that if any Shares subject to an Award or to an award under the Company's 1987 Long Term Incentive Program or 1984 Stock Option Plan (the "Prior Plans") are forfeited or if any Award or award under the Prior Plans based on Shares is settled for cash, or expires or otherwise is terminated without issuance of such Shares, the Shares subject to such Award shall to the extent of such cash settlement, forfeiture or termination again be available for Awards under the Plan. In the event that any Option or other Award granted hereunder is exercised through the delivery of Shares or in the event that withholding tax liabilities arising from such Option or other Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld. In addition, Substitute Awards shall not reduce the Shares available for grants under the Plan or to a Participant in any calendar year.

(c) In addition to the number of Wireless Group Shares available under Section 4(b), and subject to adjustment as provided in Section 4(e), such additional number of Wireless Group Shares as are required for Awards as an adjustment to existing Awards under the Plan based upon AT&T Shares as the result of any distribution of Wireless Group Shares to holders of AT&T Shares as more fully described in the Company's Proxy Statement dated January 26, 2000.

(d) Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares, or shares purchased in the open market or otherwise.

(ed) In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the Shares, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee in its sole discretion deems equitable or appropriate, including without limitation such adjustments in the aggregate number, class and kind of securities which may be delivered under the Plan, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of securities subject to outstanding Options, Stock Appreciation Rights or other Awards granted under the Plan, and in the number, class and kind of securities subject to Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion, provided that the number of Shares subject to any Award shall always be a whole number.

**SECTION 5. ELIGIBILITY.** Any Employee or Non-Employee Director shall be eligible to be selected as a Participant, provided, however, that Incentive Stock Options shall only be awarded to Employees of the Company.

**SECTION 6. STOCK OPTIONS.** Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Any Option granted under the Plan shall be evidenced by an Award Agreement in such form as the Committee may from time to time approve. Any such Option shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

(a) OPTION PRICE. The purchase price per Share purchasable under an Option shall be determined by the Committee in its sole discretion; provided that, except in the case of Substitute Awards or in connection with an adjustment provided for in Section 4(e), such purchase price shall not be less than the Fair Market Value of the Share on the date of the grant of the Option.

(b) OPTION PERIOD. The term of each Option shall be fixed by the Committee in its sole discretion; provided that no Option shall be exercisable after the expiration of ten years from the date the Option is granted.

(c) EXERCISABILITY. Options shall be exercisable at such time or times as determined by the Committee at or subsequent to grant.

(d) METHOD OF EXERCISE. Subject to the other provisions of the Plan, any Option may be exercised by the Participant in whole or in part at such time or times, and the Participant may make payment of the option price in such form or forms, including, without limitation, payment by delivery of cash, Shares or other consideration (including, where permitted by law and the Committee, Awards) having a Fair Market Value on the exercise date equal to the total option price, or by any combination of cash, Shares and other consideration as the Committee may specify in the applicable Award Agreement.

(e) INCENTIVE STOCK OPTIONS. In accordance with rules and procedures established by the Committee, and except as otherwise provided in Section 11, the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options held by any Participant which are exercisable for the first time by such Participant during any calendar year under the Plan (and under any other benefit plans of the Company or any Subsidiary) shall not exceed $100,000 or, if different, the maximum limitation in effect at the time of grant under Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder. Incentive Stock Options shall be granted only to participants who are employees of the Company or a Subsidiary of the Company. The terms of any Incentive Stock Option granted hereunder shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder. The aggregate number of Shares with respect to which Incentive Stock Options may be granted under the Plan shall not exceed (i) seventy-five (75) million in the case of AT&T Shares, and (ii) 50.00% of the aggregate number of all Wireless Group Shares available for Awards under the Plan in the case of Wireless Group Shares.

(f) FORM OF SETTLEMENT. In its sole discretion, the Committee may provide, at the time of grant, that the Shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities, or may reserve the right so to provide after the time of grant.

**SECTION 7. STOCK APPRECIATION RIGHTS.** Stock Appreciation Rights may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each recipient. Any Stock Appreciation Right related to a Nonstatutory Stock Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. Any Stock Appreciation Right related to an Incentive Stock Option must be granted at the same time such Option is granted. In the case of any Stock Appreciation Right related to any Option, the Stock Appreciation Right or applicable portion thereof shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a Stock Appreciation Right granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the Stock Appreciation Right. Any Option related to any Stock Appreciation Right shall no longer be exercisable to the extent the related Stock Appreciation Right has been exercised. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate, provided that no Stock Appreciation Right shall have a term that is longer than ten (10) years.

**SECTION 8. RESTRICTED STOCK.**

(a) ISSUANCE. A Restricted Stock Award shall be subject to restrictions imposed by the Committee during a period of time specified by the Committee (the "Restriction Period"). Restricted Stock Awards may be issued hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The provisions of Restricted Stock Awards need not be the same with respect to each recipient.

(b) REGISTRATION. Any Restricted Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock awarded under the Plan, such certificate shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award.

(c) FORFEITURE. Except as otherwise determined by the Committee at the time of grant or thereafter, upon termination of employment for any reason during the restriction period, all Shares of Restricted Stock still subject to restriction shall be forfeited by the Participant and reacquired by the Company. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be issued to the grantee promptly after the period of forfeiture, as determined or modified by the Committee, shall expire.

(d) MINIMUM VESTING CONDITION. The minimum Restriction Period applicable to any Restricted Stock Award that is not subject to performance conditions restricting transfer shall be three (3) years from the date of grant; provided , however , that a Restriction Period of less than three (3) years may be approved under the Plan for such Awards with respect to (i) up to twelve (12) million AT&T Shares, and (ii) up to 0.50% of the Outstanding Wireless Group Shares.

**SECTION 9. PERFORMANCE AWARDS.** Performance Awards may be issued hereunder to Participants, for no cash consideration or for such minimum consideration as may

be required by applicable law, either alone or in addition to other Awards granted under the Plan. The performance criteria to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award. Except as provided in Section 11, Performance Awards will be distributed only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, other property or any combination thereof, in the sole discretion of the Committee at the time of payment. The performance levels to be achieved for each Performance Period and the amount of the Award to be distributed shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis.

**SECTION 10. OTHER STOCK UNIT AWARDS.**

(a) STOCK AND ADMINISTRATION. Other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property ("Other Stock Unit Awards") may be granted hereunder to Participants, either alone or in addition to other Awards granted under the Plan. Other Stock Unit Awards may be paid in Shares, cash or any other form of property as the Committee shall determine. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees of the Company and its Affiliates and Non-Employee Directors to whom and the time or times at which such Awards shall be made, the number of Shares to be granted pursuant to such Awards, and all other conditions of the Awards. The provisions of Other Stock Unit Awards need not be the same with respect to each recipient.

(b) TERMS AND CONDITIONS. Subject to the provisions of this Plan and any applicable Award Agreement, Awards and Shares subject to Awards made under this Section 10, may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the Shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses. For any Award or Shares subject to any Award made under this Section 10 the transferability of which is conditioned only on the passage of time, such restriction period shall be a minimum of three (3) years. Shares (including securities convertible into Shares) subject to Awards granted under this Section 10 may be issued for no cash consideration or for such minimum consideration as may be required by applicable law. Shares (including securities convertible into Shares) purchased pursuant to a purchase right awarded under this Section 10 shall be purchased for such consideration as the Committee shall in its sole discretion determine, which, except in the case of Substitute Awards, shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is awarded.

**SECTION 11. CHANGE IN CONTROL PROVISIONS.**

(a) IMPACT OF EVENT. Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise at the time of grant with respect to a particular Award, in the event of a Change in Control:

(i) any Options and Stock Appreciation Rights outstanding as of the date such Change in Control is determined to have occurred, and which are not then exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant;

(ii) the restrictions and deferral limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and limitations and become fully vested and transferable to the full extent of the original grant;

(iii) all Performance Awards shall be considered to be earned and payable in full, and any deferral or other restriction shall lapse and such Performance Awards shall be immediately settled or distributed; and

(iv) The restrictions and deferral limitations and other conditions applicable to any Other Stock Unit Awards or any other Awards shall lapse, and such Other Stock Unit Awards or such other Awards hall become free of all restrictions, limitations or conditions and become fully vested and transferable to the full extent of the original grant.

(b) CHANGE IN CONTROL CASH-OUT. Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), if the Committee shall determine at, or at any time after, the time of grant, a Participant holding an Option or Stock Appreciation Right shall have the right, whether or not the Option or Stock Appreciation Right is fully exercisable and in lieu of the payment of the purchase price for the Shares being purchased under the Option or Stock Appreciation Right and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Option or Stock Appreciation Right to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change in Control Price per Share on the date of such election shall exceed the purchase price per Share under the Option or Stock Appreciation Right (the "Spread") multiplied by the number of Shares granted under the Option or Stock Appreciation right as to which the right granted under this Section 11(b) shall have been exercised.

(c) Notwithstanding any other provision of this Plan, if any right granted pursuant to this Plan would make a Change in Control transaction ineligible for pooling-of-interests accounting under APB No. 16, that (after giving effect to any other actions taken to cause such transaction to be eligible for such pooling-of-interests accounting treatment) but for the nature of such right would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such right Shares with a Fair Market Value equal to the cash that would otherwise be payable pursuant thereto.

**SECTION 12. CODE SECTION 162(m) PROVISIONS.**

(a) Notwithstanding any other provision of this Plan, if the Committee determines at the time Restricted Stock, a Performance Award or an Other Stock Unit Award is granted to a Participant who is then a Senior Manager or an E band employee that such Participant is, or is likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Committee may provide that this Section 12 is applicable to such Award.

(b) If an Award is subject to this Section 12, then the lapsing of restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one or any combination of the following: net cash provided by operating activities, earnings per share from continuing operations, operating income, revenues, gross margin, return on operating assets, return on equity, economic value added, stock price appreciation, total stockholder return, or cost control, of the Company or the Affiliate or division of the Company for or within which the Participant is primarily employed. Such performance goals also may be based upon the achievement of specified levels of Company performance (or performance of applicable Affiliate or division of the Company) under one or more of the measures described above relative to the performance of other corporations. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m) of the Code, or any successor provision thereto, and the regulations thereunder.

(c) Notwithstanding any provision of this Plan other than Section 11, with respect to any Award that is subject to this Section 12, the Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance goals except in the case of the death or disability of the Participant.

(d) The Committee shall have the power to impose such other restrictions on Awards subject to this Section 12 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Section 162(m) (4) (C) of the Code, or any successor provision thereto.

(e) Notwithstanding any provision of this Plan other than Section 4(e), commencing with calendar year 1999, no Participant may be granted Options and/or SARs in any calendar year period with respect to more than three million (3,000,000) AT&T Shares, or more than three million (3,000,000) Wireless Group Shares and the maximum dollar value payable with respect to Performance Units and/or Other Stock Unit Awards that are valued with reference to property other than Shares and granted to any Participant in any one calendar year is $10,000,000.

**SECTION 13. AMENDMENTS AND TERMINATION.** The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time; provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) shareholder approval if such approval is necessary to qualify for or comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply or (ii) the consent of the affected Participant, if such action would impair the rights of such Participant under any outstanding Award. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary so as to have the Plan conform to local rules and regulations in any jurisdiction outside the United States.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without

his or her consent. Notwithstanding any provision of this plan, the Committee may not amend the terms of any Option to reduce the option price nor may the Committee, without prior shareholder approval, cancel any outstanding Option and replace it with a new Option with a lower option price, where the economic effect would be the same as reducing the option price of the canceled Option.

**SECTION 14. GENERAL PROVISIONS.**

(a) Unless the Committee determines otherwise at the time the Award is granted or thereafter: (i) no Award, and no Shares subject to Awards described in Section 10 which have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, except by will or by the laws of descent and distribution; provided that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary to exercise the rights of the Participant with respect to any Award upon the death of the Participant; and (ii) each Award shall be exercisable, during the Participant's lifetime, only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative.

(b) The term of each Award shall be for such period of months or years from the date of its grant as may be determined by the Committee; provided that in no event shall the term of any Stock Option or any Stock Appreciation Right exceed a period of ten (10) years from the date of its grant.

(c) No Employee or Participant shall have any claim to be granted any Award under the Plan and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

(d) The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

(e) Except as provided in Section 12, the Committee shall be authorized to make adjustments in performance award criteria or in the terms and conditions of other Awards in recognition of unusual or nonrecurring events affecting the Company or its financial statements or changes in applicable laws, regulations or accounting principles. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry it into effect. In the event the Company shall assume outstanding employee benefit awards or the right or obligation to make future such awards in connection with the acquisition of or combination with another corporation or business entity, the Committee may, in its discretion, make such adjustments in the terms of Awards under the Plan as it shall deem appropriate.

(f) The Committee shall have full power and authority to determine whether, to what extent and under what circumstances any Award shall be canceled or suspended. In addition, all outstanding Awards to any Participant shall be canceled if the Participant, without the consent of the Company, while employed by the Company or after termination of such employment, establishes a relationship with a competitor of the Company or engages in activity which is in conflict with or adverse to the interest of the Company, as determined under the AT&T Non-Competition Guideline.

(g) All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(h) No Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the U.S. federal securities laws and any other laws to which such offer, if made, would be subject.

(i) The Committee shall be authorized to establish procedures pursuant to which the payment of any Award may be deferred. Subject to the provisions of the Plan and any Award Agreement, the recipient of an Award (including, without limitation, any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, cash dividends, or cash payments in amounts equivalent to cash dividends on Shares ("dividend equivalents"), with respect to the number of Shares covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested.

(j) Except as otherwise required in any applicable Award Agreement or by the terms of the Plan, recipients of Awards under the Plan shall not be required to make any payment or provide consideration other than the rendering of services.

(k) The Committee may delegate to one or more Senior Managers or a committee of Senior Managers the right to grant Awards to Employees who are not officers or directors of the Company and to cancel or suspend Awards to Employees who are not officers or directors of the Company.

(l) The Company shall be authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee shall be authorized to establish procedures for election by Participants to satisfy such obligations for the payment of such taxes by delivery of or transfer of Shares to the Company, or by directing the Company to retain Shares otherwise deliverable in connection with the Award.

(m) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(n) The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of New York and applicable Federal law.

(o) If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

(p) Awards may be granted to Participants who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to Employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

**SECTION 15. EFFECTIVE DATE OF PLAN.** The Plan shall be effective as of June 1, 1997.

**SECTION 16. TERM OF PLAN.** No Award shall be granted pursuant to the Plan after May 31, 2004, but any Award theretofore granted may extend beyond that date.

# BELLSOUTH NONQUALIFIED DEFERRED COMPENSATION PLAN

(As amended and restated effective as of January 1, 2005)

BellSouth Corporation ("BellSouth") established on the first (1st) day of January, 1985, the BellSouth Nonqualified Deferred Compensation Plan ("Plan") for certain executive employees and all Nonemployee Directors of BellSouth and its adopting subsidiaries, and the Plan was subsequently amended from time to time. The Plan is now hereby amended and restated, effective as of January 1, 2005, and as so amended and restated is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, with respect to all benefits under the Plan that are subject to Section 409A. Subject to the limitations contained in Article 2 of the Plan, and except as expressly provided herein, the Plan as so amended and restated shall hereafter apply to all Deferral Agreements, including those executed before this effective date, under the Plan.

## ARTICLE 1

## DEFINITIONS

1.1 "Base Salary" means the gross salary paid to executive employees, not including Nonemployee Directors, plus the amount of any before-tax basic and supplemental contributions to the BellSouth Retirement Savings Plan and the amount of any other deferrals from gross salary under any nonqualified deferred compensation plans which may be maintained by an Employer from time to time.

1.2 "Board" means the Board of Directors of BellSouth.

1.2A "Change in Control Severance Plan" means a severance plan (or plans) adopted under the terms of the Company Disclosure Letter to the Merger Agreement (as defined in Section 1.14A below).

1.3 "Code" means the Internal Revenue Code of 1986, as amended.

1.4 "Compensation" means Net Monthly Salary or Net Directors Fees and Retainers.

1.5 "Compensation Rate" means the cash compensation of an Employee Participant, including (i) annual Base Salary rate in effect on the date the Deferral Agreement is executed and (ii) the standard short-term award amount in effect on the date the Deferral Agreement is executed for an Employee Participant who is an officer in the executive compensation group or lump sum payments under incentive compensation programs received for performance rendered during the calendar year preceding the year in which the Deferral Agreement is executed for an Employee Participant other than an officer in the executive compensation group.

1.6 "Deferral Agreement" means an agreement pursuant to which deferral elections under this Plan are made and includes a standard Fixed Benefit Agreement for Nonemployee Directors, substantially in the form of Exhibit A hereto, a standard Fixed Benefit Agreement for Employee Participants, substantially in the form of Exhibit B hereto, a standard Deferral Agreement which allows Nonemployee Directors to select between a Fixed Benefit Agreement and a Stock Unit Agreement, substantially in the form of Exhibit C hereto; a Deferral Agreement for deferral of certain lump sum payments by Employee Participants, substantially in the form of Exhibit D hereto; and includes any modifications to such agreements or such other agreements as are approved from time to time for use in connection with this Plan as described in Article 2.

1.7 "Designated Beneficiary" means the beneficiary designated by a Participant as provided in Section 6.1.

1.8 "Disabled" or "Disability" means, with respect to a Non-Grandfathered Participant, any of the following:

(a) the inability of the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or

(b) the Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Employer.

1.8A "Effective Date" means January 1, 2005, the date as of which the Plan is amended and restated.

1.9 "Eligible Person" means an executive employee of an Employer or Nonemployee Director who is authorized by the Board to participate in this Plan and is presented a Deferral Agreement for execution.

1.10 "Employee Participant" means an Eligible Person other than a Nonemployee Director.

1.11 "Employer" means (i) BellSouth and (ii) any subsidiary of BellSouth, at least eighty percent (80%) of the capital stock of which is owned by BellSouth or by one or more subsidiaries of BellSouth if the Board of Directors of that subsidiary adopts the Plan and if that subsidiary's adoption of the Plan is approved by the Board or its designee.

1.12 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.12A "Executive Severance Agreement" means a BellSouth executive change in control agreement entered into by and between an executive who is a Participant in this Plan and BellSouth, as amended and/or superseded from time to time, providing certain benefits in the event of a change in corporate control of BellSouth.

1.13 "Fixed Benefit Agreement" means a Deferral Agreement which provides for a fixed benefit at Retirement under Section 5.1.

1.13A "Grandfathered Participant" means any Participant other than a Non-Grandfathered Participant.

1.14 "Interim Distribution" means a distribution specified as an Interim Distribution in a Deferral Agreement.

1.14A "Merger" means the planned merger, pursuant to the Agreement and Plan of Merger dated as of March 4, 2006 (the "Merger Agreement"), by and among BellSouth, AT&T Inc. ("AT&T"), and ABC Consolidation Corp., a Georgia corporation and wholly-owned subsidiary of AT&T ("Merger Sub"), pursuant to which, at the "Effective Time" (as defined in the Merger Agreement), BellSouth will be merged with and into the Merger Sub.

1.15 "Net Credited Service" means an Employee Participant's net credited service as defined in the BellSouth Corporation Personal Retirement Account Pension Plan under the terms of such plan in effect on the Effective Date, except that it shall include only the portion of an Employee Participant's net credited service as is attributable to service with BellSouth, an Employer or any other corporation which is a member of the same controlled group of corporations, within the meaning of Code Section 414(b), as BellSouth and any trade or business (whether or not incorporated) which is under common control with BellSouth, within the meaning of Code Section 414(c).

1.16 "Net Monthly Salary" or "Net Directors Fees and Retainers" means the amount of a Participant's Base Salary or Directors Fees and Retainers which actually is paid to him or her in any month net of all withholding, allotments, and deductions other than any reduction as a result of participation in this Plan.

1.17 "Nonemployee Director" means a member of the Board, or a member of the Board of Directors of any other Employer, who is not concurrently a common law employee of an Employer.

1.17A "Non-Grandfathered Participant" means any Employee Participant who (a) is described in Section 5.5A or Section 5.5B, or (b) otherwise first becomes eligible for a Retirement benefit, or dies or becomes Disabled, on or after January 1, 2005.

1.18 "Participant" means an Eligible Person who has executed a Deferral Agreement which is accepted by an Employer under Article 4.

1.19 "Plan Administrator" means the Chief Executive Officer of BellSouth and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder; provided, the Board may designate any other person or committee to serve in lieu of the Chief Executive Officer as the Plan Administrator with respect to any or all of the administrative responsibilities hereunder.

1.20 "Plan Year" means (i) February 1, 1985, through December 31, 1985, and (ii) each calendar year thereafter through 1996. For certain Employee Participants designated by the Board, "Plan Year" also means calendar year 1997. For Nonemployee Directors, "Plan Year" also means the period from January 1, 1997 through April 30, 1997, and for certain Nonemployee Directors designated by the Board, "Plan Year" also means (A) May 1, 1997, through April 30, 1998, (B) May 1, 1998, through April 30, 1999, and (C) May 1, 1999, through April 30, 2000, to the extent the Board shall designate.

1.20A "Rabbi Trust Agreements" means each and all of the: (i) BellSouth Corporation Trust Under Executive Benefit Plan(s); (ii) BellSouth Telecommunications, Inc. Trust Under Executive Benefit Plan(s); (iii) BellSouth Enterprises, Inc. Trust Under Executive Benefit Plan(s); (iv) BellSouth Corporation Trust Under Executive Benefit Plan(s) for Mobile Systems Executives; (v) BellSouth Corporation Trust Under Executive Benefit Plan(s) for Advertising and Publishing Executives; (vi) Trust Under Executive Benefit Plan(s) for Certain BellSouth Companies; (vii) BellSouth Corporation Trust Under Board of Directors Benefit Plan(s); and (viii) BellSouth Telecommunications, Inc. Trust Under Board of Directors Benefit Plan(s); in each case, as amended from time to time.

1.21 "Retirement" means (1) any termination of employment by a Nonemployee Director and (2) any termination of employment by an Employee Participant who is (or would be) eligible for a pension, other than a deferred vested pension, under the terms and conditions of the BellSouth Personal Retirement Account Pension Plan, or comparable plan maintained by the Employer employing such Participant, under the terms of such plans in effect on the Effective Date. Additionally, "Retirement" means any termination of employment by an Employee Participant who has attained age 62 or older and whose Net Credited Service is ten years or more at the time of employment termination.

Notwithstanding anything to the contrary herein, after the Merger, with respect to any Non-Grandfathered Participant who otherwise satisfies none of the alternative definitions of Retirement described above, "Retirement" also means the termination of employment by the Non-Grandfathered Participant if at such time (A) the sum of (i) plus (ii) equals or exceeds seventy-five (75) years where (i) is the Non-Grandfathered Participant's whole years and whole months of age and (ii) is the Non-Grandfathered Participant's whole years and whole months of Net Credited Service, and (B) the Non-Grandfathered Participant's Net Credited Service is at least ten (10) years (the "Rule of 75").

1.22 "Retirement Benefit" means a benefit specified as a Retirement Benefit in a Deferral Agreement.

1.22A "Section 409A" means Code section 409A and the Treasury regulations or other authoritative guidance issued thereunder. Whenever the terms "subject to Section 409A" or "to the extent permitted by Section 409A" (or any such similar reference so as to indicate that a Plan provision is subject to Section 409A) are used, such terms shall be interpreted to mean that the applicable Plan provision shall be effective only if and to the extent such provision would not trigger penalty taxes or interest under Section 409A.

1.23 "Share" means a share of $1.00 par value common stock of BellSouth.

1.24 "Stock Unit" means a bookkeeping entry representing the equivalent of one Share credited to a Participant as described in Section 4.5.

1.25 "Stock Unit Agreement" means a Deferral Agreement which provides a benefit at Retirement under Section 5.1 based upon Stock Units.

## ARTICLE 2

## TERM; AMENDMENT

This Plan may at any time or from time to time be amended and modified and shall be effective until terminated by the Board; provided that no such action shall accelerate or postpone the time or schedule of payment of any Plan benefits except as may be permitted under Code Section 409A and regulations thereunder. This Plan originally provided for Plan Years 1985 through 1998 with Plan specifications and applicable interest rates being approved by the Board for each separate Plan Year. Notwithstanding the foregoing, effective November 25, 1996, no deferrals will be permitted under the Plan except with respect to the Plan Years described in Section 1.20 and then only to the extent provided in resolutions adopted by the Board.

Notwithstanding the foregoing, no contractual right created by and under any Deferral Agreement on the date of termination or amendment shall be abrogated by the termination or amendment of this Plan unless the Participant who executed such Deferral Agreement consents. Participants have no other right or interest in the continuance of this Plan in any form.

## ARTICLE 3

## ADMINISTRATION; INTERPRETATION

3.1 Claim Procedure .

(a) Initial Claim . Claims for benefits under the Plan may be filed with the Plan Administrator on forms or in such other written documents as the Plan Administrator may prescribe. The Plan Administrator shall furnish to the claimant written notice of the disposition of a claim within 90 days after the application therefor is filed. In the event the claim is denied, the notice of the disposition of the claim shall provide the specific reasons for the denial, citations of the pertinent provisions of the Plan, and where appropriate, an explanation as to how the claimant can perfect the claim and/or submit the claim for review.

(b) Appeal . Any Participant or Designated Beneficiary who has been denied a benefit shall be entitled, upon request to the Plan Administrator, to appeal the denial of the claim. The claimant (or his duly authorized representative) may review pertinent documents related to the Plan and in the Plan Administrator's possession in order to prepare the appeal. The request for review, together with written statement of the claimant's position, must be filed with the Plan Administrator no later than 60 days after receipt of the written notification of denial of a claim provided for in Section 3.1. The Plan Administrator's decision shall be made within 60 days following the filing of the request for review. If unfavorable, the notice of the decision shall explain the reasons for denial and indicate the provisions of the Plan or other documents used to arrive at the decision.

3.2 Interpretation . The Plan Administrator shall have the exclusive responsibility and complete discretionary authority to control the operation and administration of the Plan, with all powers necessary to properly carry out such responsibility, including without limitation, the full and exclusive power to (i) interpret the terms and conditions of this Plan and any Deferral Agreement, including the power to construe ambiguous or uncertain terms, (ii) to establish reasonable procedures with which Participants must comply to exercise any right established hereunder or any contractual right established under the Deferral Agreement, (iii) to determine status, coverage, eligibility for and the amount of benefits, and all questions arising in correction therewith, and (iv) to resolve all questions that arise in the operation and administration of this Plan. The rights and duties of Participants and other persons and entities are subject to, and governed by, such acts of administration, interpretations and procedures. All actions or determinations of the Plan Administrator (or its delegates) under this Article 3 shall be final, conclusive and binding on all persons.

3.3 Post-Merger Plan Administration . Notwithstanding anything to the contrary in this Plan, following the Merger, responsibility for administration of the Plan shall be determined under the terms of the Rabbi Trust Agreements. As provided in the Rabbi Trust Agreements, claims for benefits, appeals of benefit denials and Plan interpretations shall be made by a "Trust Contractor" or "Independent Fiduciary" (as such terms are defined in the Rabbi Trust Agreements), as the case may be. At any time during which a Trust Contractor or Independent Fiduciary shall, under the terms of the Rabbi Trust Agreements, have such Plan administrative responsibilities, the term "Plan Administrator" as used in this Plan shall refer to such Trust Contractor or Independent Fiduciary.

## ARTICLE 4

## DEFERRAL AGREEMENT

4.1 Election to Defer .

(a) As hereinafter provided and subject to acceptance by an Employer, (i) an Eligible Person may elect to reduce the amount of Compensation which will be paid to him or her during any Plan Year by executing and delivering to his or her Employer in a timely fashion a standard Deferral Agreement substantially in the form of Exhibit A, Exhibit B or Exhibit C hereto, as presented to such Eligible Person, and (ii) an Employee Participant may elect to reduce the amount of a lump-sum payment to which he or she may become entitled in connection with separation under a severance arrangement approved by the Board as applicable to this Plan by executing and delivering to his or her Employer in a timely fashion a Deferral Agreement substantially in the form of Exhibit D hereto, as presented to such Employee Participant.

(b) The Board shall determine who is an Eligible Person under the Plan for each Plan Year and the terms and conditions of Deferral Agreements to be presented to such Eligible Persons, including the maximum amount of Compensation subject to deferral under Section 4.4, the interest rate approved for calculating Retirement Benefits for Fixed Benefit Agreements under Section 4.2, the timing and number of Retirement Benefit payments under Section 5.1 and of any Interim Distributions under Section 5.2. The Board may limit the number of deferrals by any Eligible Person and may vary the terms and conditions of Deferral Agreements applicable to Eligible Persons based upon the number of an Eligible Person's previous deferrals, the classification and/or Employer of an Eligible Person or for any other reasons. Only Nonemployee Directors of BellSouth shall be offered Stock Unit Agreements under the Plan.

4.2 Creation of Contractual Obligation . An Employer which accepts a properly executed and timely delivered Deferral Agreement for a Plan Year, as evidenced by the execution of such Deferral Agreement (including by facsimile signature) by an officer of such Employer or by an officer of BellSouth on behalf of such Employer, agrees to pay to the Participant or to his or her Designated Beneficiary the benefits described in Article 5, which shall be calculated based upon (i) the amount deferred by each Participant, (ii) either (A) interest rates established for such Deferral Agreement by the Board or its delegate and applied to that amount quarterly for the time which elapses between the Plan Year and the date of benefit payments, or (B) in the case of Stock Unit Agreements, share price and dividend performance as described in Section 4.5, and (iii) other factors established in this Plan and by the Board or its delegate.

4.3 Timing of Election . An Eligible Person may execute and deliver to his or her Employer a standard Deferral Agreement, substantially in the form of Exhibit A, B or C hereto, on or before November 30 of any calendar year (or on or before December 16, 1994 in the case of BellSouth Nonemployee Director elections for Plan Year 1995), to reduce the Eligible Person's Compensation only for the next subsequent Plan Year. In addition, an Employee Participant may execute and deliver to his or her Employer a Deferral Agreement, substantially in the form of Exhibit D hereto, in connection with a lump-sum payment described in Section 4.1(b) of this Plan within the time period prescribed by his or her Employer, but in no event later than the day preceding the day on which he or she enters into a separation agreement with the Employer. Notwithstanding any other provisions of this Plan or any Deferral Agreement, no deferral Agreement shall be effective to defer Compensation (or other amount) which is earned by any Eligible Person on or before the date upon which the Deferral Agreement is properly executed and timely delivered to the Participant's Employer.

4.4 Amount of Deferral .

(a) An Employee Participant may elect to defer during any Plan Year a dollar amount which is less than or equal to a specified percentage of his or her Compensation Rate applicable to the Plan Year rounded to the next highest one thousand dollars. The Board shall establish the specified percentage of the Compensation Rate applicable to each Plan Year. A Nonemployee Director may elect to defer any dollar amount which is less than or equal to one hundred percent (100%) of his or her Compensation during the Plan Year to which the Deferral Agreement applies. Notwithstanding any provision of any Deferral Agreement or this Plan to the contrary, the Deferral Agreement of a Participant shall be modified automatically if necessary such that all actual reductions pursuant to his or her Deferral Agreement are made from his or her Net Monthly Salary or his or her Net Directors Fees and Retainers.

(b) An Employee Participant may elect to defer a portion of a lump-sum payment to which he or she may become entitled as described in Section 4.1(b) in an amount not to exceed the dollar amount by which any election of deferrals under paragraph (a) of this Section 4.4 for the Plan Year in which the Employee Participant terminates employment have not been satisfied at the time of termination of employment, except as may be otherwise approved by the Board.

4.5 Stock Units .

(a) Benefits paid to or on behalf of a Participant with respect to a Stock Unit Agreement for a Plan Year will be based upon the value of the Stock Units in such Participant's Stock Unit account for such Plan Year except as otherwise specifically provided in this Plan. An Employer shall credit Stock Units to such Participant's account during the Plan Year for which a Stock Unit Agreement is in effect for each date that Compensation otherwise would be paid to such Participant equal to the amount of such Compensation elected to be deferred under the Stock Unit Agreement divided by the average of the high and low sales price of a Share on the New York Stock Exchange ("NYSE") on such date (or the immediately preceding trading day if the NYSE is closed on such date.) An Employer shall further credit to such Participant's Stock Unit account with respect to such Stock Unit Agreement for each dividend payment date an amount of additional Stock Units equal to the dividends that would have been paid on the number of Shares equivalent to the Stock Units in such account as of such dividend payment date divided by the average of the daily high and low sales prices of a Share on the New York Stock Exchange ("NYSE") for the period of five trading days ending on such dividend payment date (or the period of five trading days immediately preceding such date if the NYSE is closed on such date).

(b) Payments from a Participant's Stock Unit account for a Stock Unit Agreement shall be based upon the value of the Stock Units in such account as of the January 1st, first day of a quarter, or other date as of which payment is scheduled to be made. In the case of a Stock Unit Agreement that provides for the payment of a Retirement benefit in installments, the payment for any such installment shall be based on the value of the number of Stock Units equal to the total number of Stock Units in the Participant's Stock Unit account for such Agreement as of the close of the day for which such installment payment is scheduled to be made divided by the number of remaining installments on such day (including the installment scheduled to be paid on such day.) The value of each Stock Unit for payment purposes shall equal the average of the high and low sales price of a Share on the NYSE on the date for which the payment is scheduled to be made (or the next succeeding trading day if the NYSE is closed on such scheduled payment date.) The number of Stock Units corresponding to any Retirement Benefit payment will be cancelled upon such payment as of the scheduled payment date. Furthermore, the Stock Unit account of a Participant shall be immediately cancelled upon the scheduled payment date for a lump sum
payment under Section 5.3A, 5.4, 5.5 or 6.1 or upon the scheduled payment date for the first installment of a payment, if applicable, under Section 5.5.

(c) In the event of any change in outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, the Board shall make such adjustment, if any, that it deems appropriate in the Stock Units credited to Participant's accounts. Any and all adjustments shall be conclusive and binding upon all parties concerned.

4.6 No Deferrals Since 2000 . No deferrals have been permitted under the Plan since Plan Year 2000. No current or future deferrals shall be permitted under the Plan.

## ARTICLE 5

## PAYMENT OF BENEFITS

5.1 Retirement Benefit .

(a) If a Participant terminates employment with his or her Employer and is not immediately reemployed by another Employer (or, in the case of a Non-Grandfathered Participant, by any other entity with which his or her Employer would be considered a single employer under Code Section 414(b) or 414(c)), and such termination constitutes a Retirement, or upon any subsequent termination from such an entity that constitutes a Retirement, then the Employer shall pay to the Participant the Retirement Benefits stated in each of his or her Deferral Agreements as soon as administratively practicable after those dates specified for this purpose in each Deferral Agreement. In the case of a Fixed Benefit Agreement, the Employer also shall make any such Retirement Benefit payment to a Participant who has remained employed through the date specified for such payment in his or her Deferral Agreement. The number of Retirement Benefit payments and the date upon which Retirement Benefit payments begin shall be established for each Plan Year by the Board or its delegate and stated in the Deferral Agreement executed by the Participant for each Plan Year.

(b) If a Grandfathered Participant is or becomes a proprietor, officer, partner, or employee of, or otherwise is or becomes affiliated with (i) any business that is in competition with any Employer or (ii) any government agency having regulatory jurisdiction over the business activities of any Employer, then, upon that date, no further benefit payments shall be made to the Participant, or any other person with respect to the Participant's participation in this Plan, under any provision or Section of this Plan, except that, the Participant shall be paid in a lump sum as soon as administratively practicable after the first (1st) day of January following that date an amount with respect to each of the Participant's Deferral Agreements equal to (i) the amount deferred pursuant to such Deferral Agreement, (ii) plus interest on such amount (adjusted to be take into account all payments described in (iii) immediately below) credited separately at a rate equal to the rate paid on ten (10) year United States Treasury obligations on each date for which interest is credited, compounded quarterly, for each Plan Year between the Plan Year to which the Deferral Agreement applies and the Plan Year in which the act occurs or status is first attained, inclusive, (iii) minus the amount of all Interim Distributions and Retirement Benefits, if any, paid to the Participant or to which the Participant is entitled on or before the date the act occurs or status is first attained with respect to such Deferral Agreement; provided that (x), if the above calculation results in a negative amount, the result shall be deemed to be zero and such negative amount shall not be collected from, or enforced against, the Participant as a claim by his or her Employer, and (y) the amount paid with respect to a Deferral Agreement that is a Stock Unit Agreement will be the value of such Participant's Stock Unit account for such Deferral Agreement as determined under Section 4.5(b) for such January 1st scheduled payment date if such value is less than the amount otherwise determined by applying (i), (ii)
and (iii) immediately above to such Deferral Agreement. This Section 5.1(b) shall be inapplicable with respect to any Non-Grandfathered Participant.

5.2 Interim Distributions . A Participant shall be paid the Interim Distributions stated in each of his or her Deferral Agreements as soon as administratively practicable after those dates stated in that Deferral Agreement. However, no Interim Distribution shall be stated in a Deferral Agreement or paid to any Participant as a result of the Deferral Agreement if the Participant is age fifty-five (55) or older on any day during the Plan Year to which the Deferral Agreement applies. No Interim Distribution shall be paid to a Participant on or after the date upon which the Participant or his or her Designated Beneficiary receives any benefit or payment under any other Section of this Plan or any paragraph of his or her Deferral Agreement providing benefits other than Interim Distributions. Notwithstanding the foregoing, with respect to any Plan Year or selected deferrals in any Plan Year, the Board may specify alternative Interim Distribution schedules. No Interim Distribution shall be paid in connection with any Stock Unit Agreement or any Fixed Benefit Agreement which does not specifically provide for such benefits.

5.3 Pre-retirement, Pre-Disability Eligibility Death Benefit for Plan Year 1985 . Regarding deferrals for Plan Year 1985, if a Participant dies on or before the date upon which he or she is first entitled to receive a benefit under Section 5.1 or Section 5.4, then his or her Designated Beneficiary shall be paid in a lump sum as soon as administratively practicable after the first (1st) day of January following his or her date of death an amount equal to: (i) the amount of Compensation deferred pursuant to his or her Deferral Agreement for Plan Year 1985, (ii) plus interest on such amount (adjusted to take into account all payments described in (iii) immediately below) credited separately at the rate approved for and applicable to his or her participation for Plan Year 1985, such rate to be compounded quarterly for each Plan Year between Plan Year 1985 and the Plan Year in which his or her death occurs, inclusive, (iii) minus the amount of all Interim Distributions with respect to such Deferral Agreement, if any, paid to the Participant or to which the Participant is entitled on or before the date of his or her death. If the above calculation results in a negative amount, the result shall be deemed to be zero and such negative amount shall not be collected from, or enforced against the Participant as a claim by his or Participant's Employer.

If the Participant's Designated Beneficiary receives or is entitled to receive a benefit hereunder, then no person or persons shall receive or be entitled to receive any benefit or payment with respect to such Participant's deferral for Plan Year 1985 under any other Section of this Plan or under any Deferral Agreement, notwithstanding any other provision of

this Plan or any Deferral Agreement.

5.3A Pre-Retirement Eligibility Death Benefit for Plan Years After 1985 . Regarding deferrals for any Plan Year after 1985, if an Employee Participant dies before the date upon which he or she would have been eligible for Retirement (assuming a termination of employment), then his or her Designated Beneficiary shall be paid in a lump sum as soon as administratively practicable after the first (1st) day of January following his or her date of death an amount with respect to each of the Participant's Deferral Agreements for Plan Years after 1985 equal to (i) the amount deferred pursuant to such Deferral Agreement, (ii) plus interest on such amount (adjusted to take into account all payments described in (iii) immediately below) credited separately at the rate approved for and applicable to his or her participation for the Plan Year for such Deferral Agreement, such rate to be compounded quarterly for each Plan Year between the Plan Year to which the Deferral Agreement applies and the Plan Year in which his or her death occurs, inclusive, (iii) minus the amount of all Interim Distributions and Retirement Benefits, if any, paid to the Participant or to which the Participant is entitled on or before the date of his or her death with respect to such Deferral Agreement; provided, that if the above calculation results in a negative amount, such result shall be deemed to be zero and such negative amount shall not be collected from, or enforced against, the Participant as a claim by his or her Employer.

If a Nonemployee Director dies, or if an Employee Participant dies on or after the date upon which he or she is eligible for Retirement, whether or not he or she has in fact terminated employment, and in either case if such death occurs prior to the Participant having commenced receipt of benefits or prior to having received all benefits, as the case may be, payable in accordance with a Deferral Agreement under this Plan for Plan Years after 1985, except as provided under Section 5.4, then his or her Designated Beneficiary shall receive all benefits, or continue to receive the remaining benefits, as the case may be, in accordance with that Deferral Agreement; provided, however, that each Grandfathered Participant shall have the right to elect, or to revoke any such election or make a new election, at any time prior to his or her death, to have the death benefit described in this sentence paid to his or her Designated Beneficiary in a lump sum as soon as administratively practicable after the first day of January following the year in which the Grandfathered Participant died. A lump sum payment made pursuant to an election by a Grandfathered Participant in accordance with the preceding sentence shall be in an amount with respect to each of the Grandfathered Participant's Deferral Agreements for Plan Years after 1985 equal to: (i) the amount deferred pursuant to such Deferral Agreement, (ii) plus interest on such amount (adjusted to take into account all payments described in (iii) immediately below) credited separately at the rate approved for and applicable to his or her participation for the Plan Year for such Deferral Agreement, such rate to be compounded quarterly for each Plan Year between the Plan Year to which the Deferral Agreement applies and the Plan Year in which his or her death occurs, inclusive, (iii) minus the amount of all Interim Distributions and Retirement Benefits, if any, paid to the Grandfathered Participant or to which the Grandfathered Participant is entitled on or before the date of his or her death with respect to such Deferral Agreement; provided that (x), if the above calculation results in a negative amount, such result shall be deemed to be zero and such negative amount shall not be collected from, or enforced against, the estate of the Grandfathered Participant as a claim by the Grandfathered Participant's Employer, and (y) the amount paid with respect to a Deferral Agreement that is a Stock Unit Agreement will be the value of the Grandfathered Participant's Stock Unit account for such Deferral Agreement as determined under Section 4.5(b) for such January 1st scheduled payment date instead of the amount determined by applying (i), (ii) and (iii) immediately above to such Deferral Agreement.

If the Participant's Designated Beneficiary receives or is entitled to receive a benefit hereunder, then no person or persons shall receive or be entitled to receive any benefit or payment with respect to such Participant's deferral for Plan Years after 1985 under any other Section of this Plan or under any Deferral Agreement, notwithstanding any other provision of this Plan or any Deferral Agreement.

5.4 Pre-Retirement Eligibility Disability Benefit . If an Employee Participant suffers a Disability or becomes Disabled (with respect to Grandfathered Participants, as those terms are defined in the BellSouth Executive Long Term Disability and Survivor Protection Plan and the BellSouth Long Term Disability Plan for Salaried Employees, as amended from time to time) before the date upon which he or she would have been eligible for Retirement (assuming a termination of employment), then he or she shall be paid by the Employer in a lump sum as soon as administratively practicable after the first (1st) day of January following the Plan Year in which the Disability occurs an amount with respect to each of the Participant's Deferral Agreements equal to (i) the amount deferred pursuant to such Deferral Agreement, (ii) plus interest on each amount (adjusted to take into account all payments described in (iii) immediately below) credited separately at the rate approved for and applicable to his or her participation for the Plan Year for such Deferral Agreement, such rate to be compounded quarterly for each Plan Year between the Plan Year to which the Deferral Agreement applies and the Plan Year in which his or her Disability occurs, inclusive, (iii) minus the amount of all Interim Distributions and Retirement Benefits, if any, paid to the Participant or to which the Participant is entitled on or before the date of onset of Disability with respect to such Deferral Agreement; provided that if the above calculation results in a negative amount, such result shall be deemed to be zero and such negative amount shall not be collected from, or enforced against, the Participant as a claim by his or her Employer. If the Participant receives or is entitled to receive a benefit hereunder, then no person or persons shall receive or be entitled to receive any benefit or payment under any other Section of this Plan or under any Deferral Agreement, notwithstanding any other provisions of this Plan or any Deferral Agreement.

5.5 Termination of Employment Prior to Retirement or Disability . If an Employee Participant terminates employment with his or her Employer, and is not immediately reemployed by another Employer (or, in the case of a Non-Grandfathered Participant, by any other entity with which his or her Employer would be considered a single employer under Code Section 414(b) or 414(c)), prior to death, Disability or Retirement, then a benefit amount shall be paid to the Participant, in a lump sum (or, in the case of a Grandfathered Participant, either in lump sum or in five (5) annual installments, at the election of the Board), as soon as administratively practicable after the first (1st) day of January following his or her date of termination (and anniversaries thereof in case of installments), which amount with respect to each of the Participant's Deferral Agreements shall be equal to (i) the amount deferred pursuant to such Deferral Agreement, (ii) plus interest on such amount (adjusted to take into account all payments described in (iii) immediately below) credited separately at a rate equal to the rate on ten (10) year United States Treasury obligations on each date for which interest is to be credited, compounded quarterly, for each Plan Year between the Plan Year to which the Deferral Agreement applies and the Plan Year in which the termination occurs, inclusive, (iii) minus the amount of all Interim Distributions and Retirement Benefits, if any, paid to the Participant or to which the Participant is entitled on or before the date of his or her termination with respect to such Deferral Agreement; provided that if the above calculation results in a negative amount, such result shall be deemed to be zero and such negative amount shall not be collected from, nor enforced against, the Participant as a claim by his or her Employer. If the Participant receives or is entitled to receive a benefit hereunder, then no person or persons shall then or thereafter receive any benefit or payment under any other Section of this Plan or any Deferral Agreement, notwithstanding any other provision of this Plan or any Deferral Agreement.

5.5A Termination of Employment Under Change in Control Severance Plan . A Participant (i) who as of his or her termination of employment has not satisfied the age and service requirements for Retirement, (ii) who will be treated under the Change in Control Severance Plan as having satisfied such requirements upon terminating employment under the circumstances specified therein, and (iii) who elects on or before December 31, 2006, to be covered under these terms, shall be deemed to have made a new payment election to have his or her entire Plan benefit paid as if the Participant's termination of employment constituted a Retirement for all purposes of the Plan. Notwithstanding anything to the contrary in this Plan, no such election made after December 31, 2006, shall be valid and the new payment election described above shall in no event change the terms of payment with respect to benefits that otherwise would have been paid in 2006, or to cause payments to be made in 2006.

5.5B Termination of Employment Under Executive Severance Agreement . A Participant who has an Executive Severance Agreement with BellSouth and (i) who as of his or her "Termination Date," as defined in the Executive Severance Agreement, has not satisfied the age and service requirements for Retirement, (ii) who will be treated under the Executive Severance Agreement as having satisfied such requirements upon terminating employment under the circumstances specified therein, and (iii) who elects on or before December 31, 2006, to be covered under these terms, shall be deemed to have made a new payment election to have his or her entire Plan benefit paid as if the Participant's termination of employment constituted a Retirement for all purposes of the Plan. Notwithstanding anything to the contrary in this Plan, no such election made after December 31, 2006, shall be valid, and the new payment election described above shall in no event change the terms of payment with respect to benefits that otherwise would have been paid in 2006, or to cause payments to be made in 2006.

5.6 Distributions to Code Section 409A Specified Employees . Notwithstanding any provision of this Plan to the contrary, with respect to any Non-Grandfathered Participant who is a "specified employee" for purposes of Code Section 409A, no payment of any portion of the Non-Grandfathered Participant's benefit amount which is occasioned by the Non-Grandfathered Participant's separation from service shall be made before the date that is six (6) months after the date of such Participant's separation from service.

## ARTICLE 6

## MISCELLANEOUS

6.1 Beneficiary Designation . If a Participant dies and, on the date of his or her death, any benefit or benefits remain to be paid to the Participant under the terms and

conditions of this Plan, the remaining benefit or benefits shall be paid to that person or persons designated by the Participant ("Designated Beneficiary") on the form provided from time to time to the Participant by his or her Employer in accordance with the Deferral Agreement. If the Designated Beneficiary dies prior to completion of all payments under the Deferral Agreement, the estate of the Designated Beneficiary shall be paid by the Employer a lump sum with respect to each of the Participant's Deferral Agreements for Plan Years after 1985 as soon as administratively practicable after the first (1st) day of January following the year in which the Designated Beneficiary died. The amount of the lump sum with respect to each such Deferral Agreement will be equal to (i) the amount deferred pursuant such Deferral Agreement, (ii) plus interest on each amount (adjusted to take into account all payments described in (iii) immediately below) credited separately at the rate approved for and applicable to the Participant's participation for the Plan Year for which he or she executed such Deferral Agreement, such rate to be compounded quarterly for each Plan Year between the Plan Year to which the Deferral Agreement applies and the Plan Year in which the Designated Beneficiary's death occurs, inclusive, (iii) minus the amount of all Interim Distributions and Retirement Benefits, if any, paid to the Participant or Designated Beneficiary with respect to such Deferral Agreement; provided that (x), if the above calculation results in a negative amount, such result shall be deemed to be zero and such negative amount shall not be collected from, or enforced against, the estate of the Designated Beneficiary, and (y) the amount paid with respect to a Deferral Agreement that is a Stock Unit Agreement will be the value of the Participant's Stock Unit account for such Deferral Agreement as determined under Section 4.5(b) for such January 1st scheduled payment date instead of the amount otherwise determined by applying (i), (ii) and (iii) immediately above to such Deferral Agreement. If no Designated Beneficiary has been chosen by the Participant or if the Designated Beneficiary is not living on the date of the Participant's death, the estate of the Participant shall be paid by the Employer in a lump sum with respect to each of the Participant's Deferral Agreements for Plan Years after 1985 as soon as administratively practicable after the first (1st) day of January following the year in which the Participant died. The amount of the lump sum shall be determined in the manner described in the immediately preceding sentence of this Section 6.1. In the case of a Deferral Agreement for Plan Year 1985, any Plan benefit payable following the death of the Participant will be paid to the estate of the Participant if no Designated Beneficiary is in existence on the scheduled payment date.

6.2 Obligations of Employers not the Obligations of BellSouth . The duties and obligations of each Employer hereunder are several but not joint, each Employer is only liable to its own employees and Nonemployee Directors who are Participants hereunder, and BellSouth is not liable for the actions, omissions, duties or obligations of any other Employer hereunder.

6.3 Recalculation Events; Treatment of this Plan under Applicable Federal Income Tax Laws . With respect to Grandfathered Participants, the adoption and maintenance of the Plan is strictly conditioned upon (i) the applicability of Code Section 451(a) to the Participant's recognition of gross income as a result of his or her participation, (ii) the fact that Participants will not recognize gross income as a result of participation in this Plan until and to the extent that benefits are received, (iii) the applicability of Code Section 404(a)(5) to the deductibility of the amounts paid to Participants hereunder, (iv) the fact that an Employer will not receive a deduction for amounts credited to any accounting reserve created as a result of this Plan until and only to the extent that benefits are paid, and (v) the inapplicability of Parts 2, 3, and 4 of Title I of ERISA to this Plan by reason of the exemptions set forth in ERISA Sections 201(a), 301(a) and 401(a) and Part 1 of ERISA by reason of the exemption set forth in Section 2520.104-23 of applicable United States Department of Labor regulations. If the Internal Revenue Service, the Department of Labor or any court determines or finds as a fact or legal conclusion that any of the above conditions is untrue and issues or intends to issue an assessment, determination, opinion or report stating such, or if the opinion of the legal counsel of BellSouth based upon legal authorities then existing is that any of the above assumptions is incorrect, then, if the Board so elects within one year of such finding, determination, or opinion, a Recalculation Event shall be deemed to have occurred.

If a Recalculation Event occurs under this Section 6.3, Section 6.4, or any other Section of this Plan, then each Grandfathered Participant who has not attained the age of fifty-five (55) years on the date on which the Board takes official action to elect the occurrence of a Recalculation Event shall thereafter be paid benefits in accordance with the election made irrevocably in connection therewith in the Deferral Agreement. For each such Grandfathered Participant the amount of Retirement benefit stated in the Deferral Agreement shall be recalculated and restated using a rate of interest equal to the rate of interest on ten (10) year United States Treasury obligations on each date upon which interest should have been or will be calculated, compounded quarterly, instead of the interest rate assumed in originally calculating the benefit, as referenced in Section 4.2.

Notwithstanding anything to the contrary contained in this Plan or a Deferral Agreement, the benefits payable with respect to any Participant who shall have either (i) attained the age of fifty-five (55) years or (ii) died, on or prior to the date on which the Board takes official action to elect the occurrence of a Recalculation Event under either Sections 6.3 or 6.4 of this Plan, shall not be recalculated and restated in the manner described in such Sections or in any other way affected by such action. If such Participant or Designated Beneficiary receives or is entitled to receive a benefit as result of the occurrence of a Recalculation Event, then no person or persons shall receive or be entitled to receive any benefit or payment under any other Section of this Plan or under any Deferral Agreement, notwithstanding any other provision of this Plan or the Deferral Agreement.

This Section 6.3 shall be inapplicable with respect to any Non-Grandfathered Participant.

6.4 Changes in the Internal Revenue Code of 1954 . With respect to Grandfathered Participants, the adoption and maintenance of this Plan also is strictly conditioned upon the existence and continuation of the percentage tax rates for corporations stated in Section 11(b) of the Internal Revenue Code of 1954, as amended through August 13, 1981 but not thereafter (the "1954 Code"). In particular, the adoption and maintenance of this Plan is strictly conditioned upon the rate of tax stated in Section 11(b)(5) of the 1954 Code, that is, "46 percent of so much of the taxable income as exceeds $100,000." If (1) 1954 Code Section 11(b) is deleted or amended or a surtax or other addition to tax is imposed and, as a result thereof, the rate of federal income tax imposed on taxable income of corporations in excess of One Hundred Thousand Dollars ($100,000) is reduced below such rate in effect immediately before reduction and is less than forty percent (40%), (2) a tax is imposed by the federal government on income, sales, consumption, or the value of goods and services which is not currently contained in the Code, or (3) the Code is amended or restated so extensively that in the opinion of the legal counsel of BellSouth the tax treatment of this Plan to the Employer has materially changed to the detriment of the Employer, then, if the Board so elects within one year after the enactment of the legislation causing such event, a Recalculation Event shall be deemed to have occurred and a benefit will be payable only as described in Section 6.3.

This Section 6.4 shall be inapplicable with respect to any Non-Grandfathered Participant.

6.5 Governing Law . This Plan and the Deferral Agreements shall be construed in accordance with the laws of the State of Georgia to the extent such laws are not preempted by ERISA.

6.6 Successors, Mergers, Consolidations . The terms and conditions of this Plan and each Deferral Agreement shall inure to the benefit of and bind BellSouth, the other Employers, the Participants, their successors, assigns, and personal representatives. If substantially all of the assets of any Employer are acquired by another corporation or entity or if an Employer is merged into, or consolidated with, another corporation or entity, then the obligations created hereunder and as a result of the Employer's acceptance of Deferral Agreements shall be obligations of the successor corporations or entity.

6.7 Discharge of Employer's Obligation . The payment by the Employer of the benefits due under each and every Deferral Agreement to the Participant or to the person or persons specified in Section 6.1 or Section 6.1A discharges the Employer's obligations hereunder, and the Participant has no further rights under this Plan or the Deferral Agreements upon receipt by the appropriate person of all benefits.

In addition, (i) if any payment is made to a Participant or his or her Designated Beneficiary with respect to benefits described in this Plan from any source arranged by the Employer including, without limitation, any fund, trust, insurance arrangement, bond, security device, or any similar arrangement, such payment shall be deemed to be in full and complete satisfaction of the obligation of the Employer under this Plan and the Deferral Agreements to the extent of such payment as if such payment had been made directly by the Employer; and (ii) if any payment from a source described in clause (i) above shall be made, in whole or in part, prior to the time payment would be made under the terms of this Plan and the Deferral Agreement, such payment shall be deemed to satisfy the Employer's obligation to pay Plan benefits beginning with the benefit which would next become payable under the Plan and the Deferral Agreement and continuing in the order in which benefits are so payable, until the payment from such other source is fully recovered. In determining the benefits satisfied by a payment described in clause (ii), Plan benefits, as they become payable, shall be discounted to their value as of the date such actual payment was made using an interest rate equal to the valuation interest rate for deferred annuities as last published by the Pension Benefit Guaranty Corporation prior to the date of such actual payment. If the benefits which actually become payable under this Plan, after applying the discount described in the preceding sentence, are less than the amount of the payment(s) described in clause (ii), any such shortfall shall not be collected from or enforced against the Participant as a claim by the Employer.

6.8 Social Security and Income Tax Withholding . Each Participant agrees as a condition of participation hereunder that his or her Employer may withhold federal, state, and local income taxes and Social Security taxes from any distribution or benefit paid hereunder.

6.9 Notice; Delivery of Deferral Agreement . Any notice required to be delivered hereunder and any Deferral Agreement is properly delivered to Employer when personally delivered to, or actually received from the United States mail, postage prepaid, by Executive Compensation Matters Group, Room 13K06, BellSouth Corporation, 1155

Peachtree Street, N.E., Atlanta, Georgia 30309-3610, or at such other address as the Plan Administrator shall prescribe from time to time.

6.10 Nature of Obligations Created Hereunder . The Participants agree as a condition of participation hereunder that:

(a) Participants have the status of general, unsecured creditors of the Employer and the Plan, and the Deferral Agreements constitute the mere promise by the Employer to make benefit payments in the future;

(b) Nothing contained in this Plan or any Deferral Agreement shall create or be construed to create a trust of any kind between BellSouth, any Employer, and any Participant.

(c) Benefits payable, and rights to benefits under, this Plan and Deferral Agreements may not be anticipated, sold, assigned (either at law or in equity), transferred, pledged, encumbered or subject to attachment, garnishment, levy, execution or other legal or equitable process.

The Plan is intended to be unfunded for purposes of ERISA and the Code.

6.11 No Modification of Employment Agreement . Neither this Plan nor any Deferral Agreement constitutes a modification of the employment agreement of any Participant, and no right to continued employment is created by this Plan or the Deferral Agreement.

6.12 Liability of Employers for Individual Participants Employed by More than One Employer; Applicability of Deferral Agreement Filed with One Employer to Subsequent Employers. Any Deferral Agreement which is timely executed and delivered to an Employer shall be effective to defer Compensation earned by the Participant from that Employer or any other Employer during the period in which the Deferral Agreement is effective. The execution and delivery of a Deferral Agreement by a Participant constitutes an election by the Participant to defer Compensation earned from any Employer under the terms of this Plan. A Participant who timely executes and delivers a Deferral Agreement to one Employer and who subsequently transfers to another Employer or otherwise terminates employment and becomes employed by another Employer shall have the Compensation which is paid to him or her by both Employers reduced under the terms of the Deferral Agreement and this Plan as if the transfer or termination and reemployment had not occurred. The Employer which accepts an executed, timely delivered Deferral Agreement is liable to the Participant for all benefits which may be payable under, and as a result of, that Deferral Agreement notwithstanding the transfer of a Participant to or from another Employer, or the termination and reemployment of a Participant by another Employer. If a Participant timely executes and delivers Deferral Agreements to more than one Employer, each Employer is singly and not jointly liable for the Deferral Agreement or Deferral Agreements which it accepted. Any provision of this Plan which refers to a benefit or payment which is payable as a result of more than one (1) Deferral Agreement shall be construed to apply only to the Deferral Agreements delivered by that Participant and accepted by each separate Employer of that Participant, and not to all Deferral Agreements executed and timely delivered by one Participant or all Participants to all Employers, each Deferral Agreement which incorporates the terms of this constituting a separate contractual obligation of a single Employer.

6.13 Savings Clause . In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

6.14 Plan to Comply with Code Section 409A . Notwithstanding any provision to the contrary in this Plan, each provision of this Plan shall be interpreted to permit the deferral of compensation and the payment of deferred amounts in accordance with Code Section 409A and any provision that would conflict with such requirements shall not be valid or enforceable.

EXHIBIT A

DEFERRAL AGREEMENT
FOR THE BELLSOUTH NONQUALIFIED DEFERRED COMPENSATION PLAN
(for Nonemployee Directors)

1. Amount of Deferral . I, _____ (___-__-___), hereby agree to participate in the BellSouth Nonqualified Deferred Compensation Plan ("Plan"). I have read the Plan in its entirety and agree to its terms and conditions, which are incorporated herein by reference. Pursuant to the terms of the Plan, I elect to defer from my compensation to be paid to me in Plan Year 19__ ___% of my compensation. (Choose amount less than or equal to 100% of Compensation.) I understand that the Compensation which ordinarily would be paid to me in that Plan Year will be reduced by the amount of my deferral and that such reduction will be made only from my retainer and fees as a director. I further understand that the amount of directors' fees which will be paid to me depends on the full performance of my obligations as a director for the entire year and that the total amount of directors' fees paid to me during the year will be decreased from the amount normally paid to directors if I fail to attend any scheduled meetings of the Board of Directors or the committees upon which I serve.

2. Retirement Benefits . In consideration for my deferral, the Employer shall pay to me the following benefits determined in accordance with the terms and conditions of the Plan:

3. Interim Distributions . In consideration for my deferral, the Employer shall pay to me the following benefits on the dates specified, if I am entitled to these benefits under the terms and conditions of the Plan:

4. Recalculation Event . If a Recalculation Event applicable to me occurs, the Employer shall pay to me benefits in an amount determined in accordance with the terms and conditions of paragraph 6.3 of the Plan paid in accordance with the terms elected below. The undistributed balance of the recalculated amount will continue to accumulate at the reduced rate specified in paragraph 6.3 of the Plan.

- Recalculated amount paid in a lump sum as soon as administratively practicable after the first day of the year following the date of the Recalculation Event.
- Recalculated amount paid in four annual payments beginning as soon as administratively practicable after the first day of the year following the date of the Recalculation Event.
- Recalculated amount paid in same number of payments beginning on the same date as specified in paragraph 2 of this Agreement.

5. Irrevocable Election . This election is irrevocable after November 30 immediately preceding the Plan Year to which this Agreement pertains.

6. Primacy of Plan . I recognize that I am entitled to benefits hereunder and that this Agreement is subject to the terms and conditions of the Plan.

___ I decline to participate in Plan Year 19__.

_____ _____

Director Signature Employer Signature

_____ _____

Date Date

EXHIBIT B

DEFERRAL AGREEMENT
FOR THE BELLSOUTH NONQUALIFIED DEFERRED COMPENSATION PLAN
(for officers and selected executive employees)

1. Amount of Deferral . I, _____, hereby agree to participate in the BellSouth Nonqualified Deferred Compensation Plan ("Plan"). I have read the Plan in its entirety and agree to its terms and conditions, which are incorporated herein by reference. Pursuant to the terms of the Plan, I elect to defer from my compensation to be paid to me in Plan Year 19__ the sum of _____Dollars. (Choose amount less than or equal to 35% of Compensation Rate rounded to the next higher thousand dollars). I understand that my Compensation which ordinarily would be paid to me in that Plan Year will be reduced by the amount of my deferral, and that such reduction will be made only from my gross monthly salary, not from my bonus or incentive award which may be payable to me.

2. Retirement Benefits . In consideration for my deferral, the Employer shall pay to me the following benefits on the dates specified, if I am entitled to these benefits under the terms and conditions of the Plan:

3. Interim Distributions . In consideration for my deferral, the Employer shall pay to me the following benefits on the dates specified, if I am entitled to these benefits under the terms and conditions of the Plan:

4. Recalculation Event . If a Recalculation Event applicable to me occurs, the Employer shall pay to me benefits in an amount determined in accordance with the terms and conditions of paragraph 6.3 of the Plan paid in accordance with the terms elected below. The undistributed balance of the recalculated amount will continue to accumulate at the reduced rate specified in paragraph 6.3 of the Plan

- Recalculated amount paid in a lump sum as soon as administratively practicable after the first day of the year following the date of the Recalculation Event.
- Recalculated amount paid in four annual payments beginning as soon as administratively practicable after the first day of the year following the date of the Recalculation Event.
- Recalculated amount in same number of payments beginning on the same date as specified in paragraph 2 of this Agreement.

5. Irrevocable Election . This election is irrevocable after November 30 immediately preceding the Plan Year to which this Agreement pertains.

6. Primacy of Plan . I recognize that I am entitled to benefits hereunder and that this Agreement is subject to the terms and conditions of the Plan.

___ I decline to participate in Plan Year 19__.

_____ _____

Director Signature Employer Signature

_____ _____

Date Date

EXHIBIT C

DEFERRAL AGREEMENT
FOR THE BELLSOUTH NONQUALIFIED DEFERRED COMPENSATION PLAN - SCHEDULE B
(for Nonemployee Directors)

1. Amount of Deferral . I, _____ (___-__-____), hereby agree to participate in the BellSouth Nonqualified Deferred Compensation Plan ("Plan"). I have read the Plan in its entirety and agree to its terms and conditions, which are incorporated herein by reference. Pursuant to the terms of the Plan, I elect to defer from my Compensation to be paid to me in Plan Year 19__ __% of my Compensation. (Choose amount less than or equal to 100% of Compensation.) I understand that the Compensation which ordinarily would be paid to me in that Plan Year will be reduced by the amount of my deferral and that such reduction will be made only from my retainer and fees as a director. I also understand that the amount of directors' fees which will be paid to me depends on the full performance of my obligations as a director for the entire year and that the total amount of directors' fees paid to me during the year will be decreased from the amount normally paid to directors if I fail to attend any scheduled meetings of the Board of Directors or the committees upon which I serve. I further understand that my election below will be irrevocable after the November 30th immediately preceding the above Plan Year and recognize that my benefits under this Agreement are subject to the terms and conditions of the Plan.

[CHECK AND COMPLETE WHICHEVER ONE APPLIES OF A, B OR C BELOW]

___ A. FIXED BENEFIT AGREEMENT ELECTION

2. Retirement Benefits . In consideration for my deferral, the Employer shall pay to me the following benefits determined in accordance with the terms and conditions of the Plan:

Beginning on January 1, ____ the Employer will pay me $_____

annually for ____ years.

3. Interim Distributions . Not applicable.

4. Recalculation Event . If a Recalculation Event applicable to me occurs, the Employer shall pay to me benefits in an amount determined in accordance with the terms and conditions of paragraph 6.3 of the Plan paid in accordance with the terms elected below. The undistributed balance of the recalculated amount will continue to accumulate at the reduced rate specified in paragraph 6.3 of the Plan.

- Recalculated amount paid in a lump sum as soon as administratively practicable after the first day of the year following the date of the Recalculation Event.
- Recalculated amount paid in four annual payments beginning as soon as administratively practicable after the first day of the year following the date of the Recalculation Event.
- Recalculated amount paid in same number of payments beginning on the same date as specified in paragraph 2 of this Agreement.

___ B. STOCK UNIT AGREEMENT ELECTION

2. Retirement Benefits . In consideration for my deferral, I will be credited with Stock Units based upon Compensation deferred and dividend equivalents and the Employer shall pay to me the value of those Stock Units in _____ (specify number not to exceed 10) annual installments, the first of which shall be paid as of the first day of the calendar quarter following my Retirement and the remainder of which shall be paid as of each succeeding anniversary of such date.

3. Interim Distributions . Not applicable.

4. Recalculation Event . Not applicable.

___ C. DECLINE PARTICIPATION

I decline to participate for Plan Year 19__.

_____ _____

Director Signature Employer Signature

_____ _____

Date Date

EXHIBIT D

DEFERRAL AGREEMENT
FOR THE BELLSOUTH NONQUALIFIED DEFERRED COMPENSATION PLAN
(For officers and selected executive employees)

THIS AGREEMENT is made this _____ day of _____, 19 __ , by and between _____ (the "Company") and _____ (the "Executive");

W I T N E S S E T H:

WHEREAS, the Executive may retire from the service of the Company under the terms of a separation arrangement to be mutually agreed upon (the "Separation Agreement"); and

WHEREAS, the Company desires to permit the Executive to elect irrevocably to defer, under the BellSouth Nonqualified Deferred Compensation Plan (the "Plan"), a portion of the lump-sum separation allowance to which he may become entitled under the Separation Agreement, and the Executive desires to make such deferral;

NOW, THEREFORE, it is mutually agreed as follows:

1.

PLAN PROVISIONS CONTROL

The Plan, including all terms, conditions, restrictions and limitations contained therein, is hereby incorporated by reference and made a part of this Agreement for all purposes. The terms and conditions applicable to the plan year of the Plan in which the Executive separates from service shall apply to deferrals hereunder. In interpreting the Plan for purposes of this Agreement, the lump-sum separation allowance payable under the Separation Agreement shall not be included in the Executive's "Compensation Rate" as that term is used in the Plan.

2.

CONDITIONAL DEFERRAL

The deferral election contained herein shall be irrevocable by the Executive upon its submission to the Company but shall be expressly conditioned upon the Executive's separation from service under the Separation Agreement. If the Executive does not separate from service under the Separation Agreement, this Agreement shall be null and void. Neither the Company's offering of this deferral opportunity to the Executive, the Company's acceptance of the Executive's deferral election contained in this Agreement, nor any other provision hereof shall in any way be construed as conferring upon the Executive any right or entitlement to any payment under the Separation Agreement.

3.

DEFERRAL ELECTION(S)

The Executive hereby irrevocably elects to defer from the lump-sum separation allowance payable under the Separation Agreement the dollar amount by which any election of deferrals from base salary under the Plan for the plan year of the Plan in which the Executive separates from service has not been satisfied by the time the Executive separates.

YES _____ NO _____

Such amounts shall be subject to the terms of the

original Deferral Agreement to which they relate.

I understand that the lump-sum separation allowance payable under the Separation Agreement which would otherwise have been paid to me will be reduced by the amount of my deferral(s).

4.

RETIREMENT BENEFITS

In consideration of my deferral described in section 3(a) above, if any, the Company shall pay to me the following benefits on the dates specified, if I am entitled to these benefits under the terms and conditions of the Plan:

5.

INTERIM DISTRIBUTIONS

In consideration for my deferral described in section 3(a) above, if any, the Company shall pay to me the following benefits on the dates specified, if I am entitled to these benefits under the terms and conditions of the Plan:

6.

RECALCULATION EVENT

If a Recalculation Event occurs, the Company shall pay to me benefits attributable to my deferral described in section 3(a) above in an amount determined in accordance with the terms elected below. The undistributed balance of the recalculated amount will continue to accumulate at the reduced rate specified in paragraph 6.3 of the Plan.

- Recalculated amount paid in a lump sum as soon as administratively practicable after the first day of the year following the date of the Recalculation Event.
- Recalculated amount paid in four annual payments beginning as soon as administratively practicable after the first day of the year following the date of the Recalculation Event.

- Recalculated amount paid in same number of payments beginning on the same date as specified in paragraph 2 of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its corporate name by a duly authorized officer, and the Executive has hereunto set his hand, as of the date set forth above.

| | |
|---|---|
| Executive: | THE COMPANY: |
| _____ | By: _____ |
| Signature | Signature |
| _____ | _____ |
| Name (Print) | Title |

BELLSOUTH CORPORATION

DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

AS AMENDED AND RESTATED EFFECTIVE MARCH 9, 1984

1. Eligibility

Each member of the Board of Directors of BellSouth Corporation ("Company") who is not an employee of the Company, or any of its affiliates, is eligible to participate in a Deferred Compensation Plan for Non-Employee Directors ("Plan").

2. Participation

(a) Prior to the beginning of any calendar year, commencing with the calendar year 1984, each eligible Director may elect to participate in the Plan by directing that all or any part of the compensation which would otherwise have been payable currently for services as a Director (including fees payable for services as a member of a committee of the Board) during such calendar year and subsequent calendar years shall be credited to a deferred compensation account subject to the terms of the Plan.

(b) Notwithstanding the provisions of item 2(a), in the case of a newly appointed Director, the Director may elect within 60 days of his or her appointment to participate in the Plan, but only with respect to compensation for services performed subsequent to his or her election to participate in the Plan for which the Director has not yet been paid.

(c) An election to participate in the Plan shall be in the form of a document executed by the Director and filed with the Secretary of the Company. An election relating to compensation otherwise payable currently in any calendar year shall become irrevocable on the last day prior to the beginning of such calendar year. In the case of a newly-appointed Director who has made an election pursuant to the terms of item 2(b), such election shall become irrevocable immediately with respect to compensation for subsequently performed services during the remaining portion of that calendar year. An election shall continue until a Director ceases to be a Director or until he or she terminates or modifies such election by written notice. Any such termination or modification shall become effective as of the end of the calendar year in which such notice is given with respect to all compensation otherwise payable in subsequent calendar years.

(d) A Director who has filed a termination of election may thereafter again file an election to participate for any calendar year or years subsequent to the filing of such election.

3. Deferred Compensation Accounts

All deferred amounts shall be held in the general funds of the Company and shall be credited to the Director's account and shall bear interest from the date such compensation would otherwise be paid. The interest credited to the account will be compounded quarterly at the end of each calendar quarter. The rate of interest credited at the end of each calendar quarter during the calendar year 1984 and subsequent calendar years shall be based on the average U.S. Treasury 10-year note rate for the previous calendar quarter.

4. Distribution

(a) At the time of election to participate in the Plan, a Director shall also make an election with respect to the distribution of amounts deferred under the Plan plus accumulated interest. A director may elect to receive such amounts in one payment or in some other number of equal annual installments (not exceeding 10). The first installment (or the single payment if the Director has so elected) shall be paid on the first day of the calendar year immediately following the year in which the Director ceases to be a Director of the Company, and subsequent installments shall be paid on the first day of each succeeding calendar year until the entire amount credited to the Director's account shall have been paid. Amounts held pending distribution pursuant to this Item shall continue to accrue interest at the rate stated in Item 3.

(b) The election with respect to the distribution of amounts deferred under the Plan plus accumulated interest shall be contained in the document, referred to in Item 2(c), executed by the Director and filed with the Secretary of the Company. Such an election relating to fees otherwise payable currently in any calendar year shall become irrevocable on the last day prior to the beginning of such calendar year.

(c) Notwithstanding an election pursuant to Item 4(a), in the event a Director ceases to be a Director of the Company and becomes a proprietor, officer, partner, employee, or otherwise becomes affiliated with any business that is in competition with the Company or any of its subsidiaries, or becomes employed by any governmental agency having jurisdiction over the activities of the Company or any of its subsidiaries, the entire balance of deferred fees, including interest, shall be paid immediately in a single payment.

(d) If a Director should die before full payment of all amounts credited to his or her account, the balance of deferred fees, and interest, shall be paid on the first day of the calendar year following the year of death to the beneficiary or beneficiaries designated in writing by the Director, or if no designation has been made, to the estate of the Director.

5. Miscellaneous

(a) The right of a Director to any deferred fees and/or interest thereon shall not be subject to assignment by the Director.

(b) The Company shall not be required to reserve, or otherwise set aside, funds for the payment of its obligations hereunder.

(c) Copies of the Plan and any and all amendments thereto shall be made available at all reasonable times at the office of the Secretary of the Company to all Directors.

The foregoing Plan, as amended and restated effective March 9, 1984, is approved on behalf of the Company and shall be applicable to any non-employee Director who elects to participate in it.

Dated: 3/9/84

/s/ John L. Clendenin
President

Attest:

/s/ O. K. Williamson
Secretary

**BELLSOUTH CORPORATION DIRECTORS'**
**COMPENSATION DEFERRAL PLAN**
**(As Amended and Restated Effective as of January 1, 2005)**

BellSouth Corporation ("BellSouth") adopted the BellSouth Corporation Directors' Compensation Deferral Plan (the "Plan") on November 25, 1996, and the Plan was subsequently amended from time to time. The Plan is now amended and restated effective as of January 1, 2005, and as so amended and restated is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, with respect to all benefits under the Plan that are subject to Section 409A. Also, the Plan as restated, among other things, provides that no further elections to defer compensation may be made under the Plan after December 31, 2005, and coordinates Plan administration provisions applicable after the planned merger of BellSouth and AT&T Inc. with provisions of BellSouth's Rabbi Trust Agreements.

**BACKGROUND AND PURPOSE**

A. **Goal**. BellSouth desires to provide nonemployee members of its Board of Directors, and nonemployee members of the Board of Directors of those of its affiliated companies that participate in the Plan, with an opportunity (i) to defer the receipt and income taxation of a portion of such directors' retainers, fees, and other compensation as described in the Plan; and (ii) to receive an investment return on those deferred amounts which approximates the return of BellSouth stock, and an indexed rate of interest.

B. **Purpose.** The purpose of the Plan is to set forth the terms and conditions pursuant of which these deferrals may be made and deemed invested and to describe the nature and extent of the directors' rights to their deferred amounts.

C. **Type of Plan**. The Plan constitutes an unfunded, nonqualified deferred compensation plan.

D. **No Deferrals after 2005**. Notwithstanding anything to the contrary herein, no Deferral Elections will be permitted under the Plan after December 31, 2005.

**ARTICLE I**
**DEFINITIONS**

For purposes of the Plan, each of the following terms, when used with an initial capital letter, shall have the meaning set forth below unless a different meaning plainly is required by the context.

1.1 " **Account** " shall mean, with respect to a Participant or Beneficiary, the total dollar amount or value evidenced by the last balance posted in accordance with the terms of the Plan to the account record established for such Participant or Beneficiary with respect to the Deferral Contributions of such Participant for any Plan Year. " **Account** " shall also refer to a Master Account.

1.2 " **Affiliate** " shall mean at any time any corporation, joint venture or partnership in which BellSouth owns directly or indirectly, (i) with respect to a corporation, stock possessing at least ten percent (10%) of the total combined voting power of all classes of stock in the corporation, or (ii) in the case of a joint venture or partnership, a ten percent (10%) or greater interest in the capital or profits of such joint venture or partnership.

1.3 " **BellSouth** " shall mean BellSouth Corporation, a Georgia corporation, or any successor entity.

1.4 " **Beneficiary** " shall mean, with respect to a Participant, the person(s) determined in accordance with Section 5.5 to receive any death benefits that may be payable under the Plan upon the death of the Participant.

1.5 " **Board** " shall mean the Board of Directors of BellSouth.

1.6 " **Business Day** " shall mean each day on which the New York Stock Exchange operates and is open to the public for trading.

1.7 " **Code** " shall mean the Internal Revenue Code of 1986, as amended.

1.8 " **Company Stock** " shall mean the $1.00 par value per share voting common stock of BellSouth; provided that, after the Merger, "Company Stock" shall mean the $1.00 par value per share voting common stock of AT&T Inc.

1.9 " **Compensation** " shall mean the total of the directors' fees and retainers which actually would be payable to a Nonemployee Director during a Plan Year absent a Deferral Election under this Plan.

1.10 " **Credited Interest Rate** " shall mean, for each Plan Year, the rate of return equal to Moody's Monthly Average of Yields of Aa Corporate Bonds, as published by Moody's Investors Service, Inc., for the month of July immediately preceding such Plan Year. If such rate (or any alternative rate described in this sentence) is at any time no longer available, the Plan Administrator shall designate an alternative rate which in the Plan Administrator's reasonable judgment is generally comparable to the rate described in the preceding sentence, and such alternative rate shall thereafter be the Credited Interest Rate.

1.11 **" Deferral Contributions "** shall mean, for each Plan Year, that portion of a Participant's Compensation and that portion of a Participant's Stock Grant deferred under the Plan pursuant to Section 3.2.

1.12 **" Deferral Election "** shall mean a written election form provided by the Plan Administrator on which a Nonemployee Director may elect to defer under the Plan all or a portion of such individual's Compensation and/or Stock Grant for a Plan Year.

1.13 **" Effective Date "** shall mean January 1, 2005, the date as of which this most recent amendment and restatement of the Plan is effective, except to the extent that the Plan expressly provides a different effective date with respect to specific Plan provisions.

1.14 **" Election Deadline "** shall mean, with respect to a Plan Year:

(a) For a Nonemployee Director who is then a member of the Board, the November 30 (or if November 30 is not a Business Day, the last Business Day immediately preceding November 30) immediately preceding the first day of such Plan Year.

(b) For a Nonemployee Director who is first elected by shareholders to be a member of the Board after (or within thirty (30) days before) the Election Deadline described in Section 1.14(a) above with respect to a Plan Year, the date which is thirty (30) days after the date the Nonemployee Director first becomes eligible to participate in the Plan.

1.15 **" Election Package "** shall mean a package consisting of a Deferral Election, an Investment Election and such other forms and documents distributed to Nonemployee Directors by the Plan Administrator for the purpose of allowing them to elect to actively participate in the Plan for a Plan Year.

1.16 **" Interest Income Option "** shall mean the Investment Option described in Section 4.4, pursuant to which a Participant's deemed investment earnings are determined on the basis of the Credited Interest Rate.

1.17 **" Interest Income Subaccount "** shall mean a bookkeeping subaccount reflecting that portion of a Participant's Account for each Plan Year which is deemed to be invested in the Interest Income Option.

1.18 **" Investment Election "** shall mean a written election form provided by the Plan Administrator on which a Nonemployee Director may elect to have such individual's Deferral Contributions for a Plan Year (and all investment earnings attributable thereto) deemed invested in either the Stock Unit Option and/or the Interest Income Option, to the extent permitted under the terms of the Plan.

1.19 **" Investment Options "** shall mean the Stock Unit Option and the Interest Income Option.

1.19A **" Master Account "** shall have the meaning ascribed to such term in Article VI-A.

1.20 **" Merger "** shall mean the planned merger, pursuant to the Agreement and Plan of Merger dated as of March 4, 2006 (the "Merger Agreement"), by and among BellSouth, AT&T Inc. ("AT&T"), and ABC Consolidation Corp., a Georgia corporation and wholly-owned subsidiary of AT&T ("Merger Sub"), pursuant to which, at the "Effective Time" (as defined in the Merger Agreement), BellSouth will be merged with and into the Merger Sub.

1.21 **" Nonemployee Director "** shall mean a member of the Board, or a member of the Board of Directors of any other Participating Company, who is not concurrently a common law employee of a Participating Company.

1.22 **" Participant "** shall mean any person participating in the Plan pursuant to the provisions of Article II.

1.23 **" Participating Company "** shall mean BellSouth and each Affiliate which, by action of its Board of Directors (or equivalent governing body), adopts the Plan as a Participating Company with the approval of the Plan Administrator.

1.24 **" Plan "** shall mean the BellSouth Corporation Directors' Compensation Deferral Plan, as contained herein and all amendments hereto.

1.25 **" Plan Administrator "** shall mean the person(s) determined under Section 9.4 to the extend said Section is applicable, and otherwise shall mean the Chief Executive Officer of BellSouth and any individual or committee the Chief Executive Officer designates to act on his or her behalf with respect to any or all of the Chief Executive Officer's responsibilities hereunder; provided, the Board may designate any other person or committee to serve in lieu of the Chief Executive Officer as the Plan Administrator with respect to any or all of the administrative responsibilities hereunder.

1.26 **" Plan Yea r"** shall mean each fiscal year period beginning on May 1 and ending on April 30 of the succeeding calendar year.

1.27 **" Rabbi Trust Agreements "** shall mean (i) the BellSouth Corporation Trust Under Board of Directors Benefit Plan(s) and (ii) the BellSouth Telecommunications, Inc. Trust Under Board of Directors Benefit Plan(s), as amended from time to time.

1.28 **" Section 409A "** shall mean Code Section 409A and the Treasury regulations or other authoritative guidance issued thereunder. Whenever the terms "subject to Section 409A" or "to the extent permitted by Section 409A" (or any such similar reference so as to indicate that a Plan provision is subject to Section 409A) are used, such terms shall be interpreted to mean that the applicable Plan provision shall be effective only if and to the extent such provision would not trigger penalty taxes or interest under Section 409A.

1.29 **" Stock Grant "** shall mean for each Plan Year the annual grant of shares of Company Stock awarded to Nonemployee Directors.

1.30 **" Stock Unit "** shall mean an accounting entry that represents an unsecured obligation of a Participating Company to pay to a Participant an amount which is based on the fair market value of one share of Company Stock as set forth herein. A Stock Unit shall not carry any voting, dividend or other similar rights and shall not constitute an option or any other right to acquire any equity securities of BellSouth.

1.31 **" Stock Unit Option "** shall mean the Investment Option described in Section 4.3, pursuant to which a Participant's deemed investment earnings are determined by the rate of return (determined as provided in the Plan) applicable to Stock Units.

1.32 **" Stock Unit Subaccount "** shall mean a bookkeeping subaccount reflecting that portion of a Participant's Account for each Plan Year which is deemed to be invested in the Stock Unit Option.

1.33 **" Valuation Date "** shall mean (i) for purposes of Article V, each December 31 (or, if December 31 is not a Business Day, the last Business Day immediately preceding December 31), and (ii) for all other purposes, each April 30, July 31, October 31, and January 31 (or if any such date is not a Business Day, the last Business Day immediately preceding such date), and each other day declared by the Plan Administrator to be a Valuation Date.

## ARTICLE II
## ELIGIBILITY AND PARTICIPATION

2.1 **Annual Participation** . Each individual who is a Nonemployee Director as of the first day of a Plan Year and is a member of the Board before the beginning of such Plan Year shall be eligible to defer all or a portion of such individual's Compensation and Stock Grant and thereby to actively participate in the Plan for such Plan Year. Such individual's participation shall become effective as of the first day of such Plan Year, assuming such individual properly and timely completes the election procedures described below."

2.2 **Interim Plan Year Participation** . Each individual who becomes a Nonemployee Director during a Plan Year shall be immediately eligible to make a Deferral Election and thereby to participate actively in the Plan for the remainder of such Plan Year.

2.3 **Election Procedures** . Each Nonemployee Director shall elect to defer all or a portion of such individual's Compensation, all or a portion of such individual's Stock Grant, or both, and thereby become an active Participant for a Plan Year by delivering a completed Deferral Election and an Investment Election by the Election Deadline. The Plan Administrator also may require the Nonemployee Director to complete other forms and provide other data, as a condition of participation in the Plan.

2.4 **Cessation of Eligibility** . A Nonemployee Director's active participation in the Plan shall terminate, and such individual shall not be eligible to make any additional Deferral Contributions for any portion of a Plan Year following the date such individual's service as a Nonemployee Director with BellSouth and all Participating Companies terminates (unless such individual once again becomes a Nonemployee Director later in such Plan Year). In addition, an individual who actively participated in the Plan during prior Plan Years but who is not a Nonemployee Director or does not complete the election procedures, for a subsequent Plan Year, shall cease active participation in the Plan for such subsequent Plan Year. Even if an individual's active participation in the Plan ends, such individual shall remain an inactive Participant in the Plan until the earlier of (i) the date the full amount of such individual's Accounts is distributed from the Plan, or (ii) the date such individual again becomes a Nonemployee Director and recommences active participation in the Plan. During the period of time that an individual is an inactive Participant in the Plan, such individual's Accounts shall continue to be credited with deemed earnings as provided in the Plan.

2.5 **Limitations on New Elections** . Notwithstanding anything to the contrary herein, after December 31, 2005, no Deferral Elections will be permitted under the Plan.

## ARTICLE III
## PARTICIPANTS' ACCOUNTS: DEFERRAL CONTRIBUTIONS

3.1 **Participants' Accounts.**

**(a) Establishment of Accounts**. The Plan Administrator shall establish and maintain an Account on behalf of each Participant to each Plan Year for which the Participant makes Deferral Contributions. The Plan Administrator shall credit each Participant's Account with the Participant's Deferral Contributions for such Plan Year and earnings attributable thereto, and shall maintain such Account until the value thereof has been distributed to or on behalf of the Participant or the Participant's Beneficiary.

**(b) Nature of Contributions and Accounts**. The amounts credited to a Participant's Accounts shall be represented solely by bookkeeping entries. Except as provided in Article VIII, no monies or other assets shall actually be set aside for such Participant, and all payments to a Participant under the Plan shall be made from the general assets of the Participating Companies.

**(c) Several Liabilities**. Each Participating Company shall be severally (and not jointly) liable for the payment of benefits under the Plan under Deferral Elections executed by Nonemployee Directors with, and while serving as a Nonemployee Director of, such Participating Company.

**(d) General Creditors**. Any assets which may be acquired by a Participating Company in anticipation of its obligations under the Plan shall be part of the general assets of such Participating Company. A Participating Company's obligation to pay benefits under the Plan constitutes a mere promise of such Participating Company to pay such benefits, and a Participant or Beneficiary shall be and remain no more than an unsecured, general creditor of such Participating Company.

3.2 **Deferral Contributions**. Each Nonemployee Director may irrevocably elect to have Deferral Contributions made for a Plan Year by completing in a timely manner a Deferral Election and an Investment Election and following other election procedures as provided in Section 2.3. Subject to any modifications, additions or exceptions that the Plan Administrator, in its sole discretion, deems necessary, appropriate or helpful, and that are made in compliance with Section 409A, the following terms shall apply to such Deferral Elections:

**(a) Effective Date**. A Participant's Deferral Election for all or a portion of a Plan Year shall be effective beginning with the first Compensation or Stock Grant paid (i) in such Plan Year with respect to a Participant participating for the entire Plan Year, and (ii) with respect to a Participant participating for a portion of a Plan Year, in the calendar month following the calendar month in which the Participant makes a Deferral Election. To be effective, a Participant's Deferral Election must be made by the Election Deadline. Any Nonemployee Director who fails to deliver a Deferral Election, or to complete any of the other requisite election procedures, in a timely manner, shall be deemed to have elected not to participate in the Plan for that Plan Year.

**(b) Term**. Each Participant's Deferral Election regarding Compensation for a Plan Year shall remain in effect with respect to a portion of all Compensation paid or payable during such Plan Year, but shall not apply to any subsequent Plan Year.

**(c) Amount**

**(i) Compensation Deferrals**. To defer Compensation, a Nonemployee Director's Deferral Election shall specify a whole percentage, in increments of ten percent (10%), of Compensation for a Plan Year to be deferred. A Nonemployee Director may defer for any Plan Year up to one hundred percent (100%) of the Nonemployee Director's Compensation for such Plan Year. The percentage so elected shall be withheld from each payment of Compensation otherwise payable to such Nonemployee Director during the Plan Year. Notwithstanding any provision of this Plan or a Deferral Election to the contrary, however, the amount withheld from any payment of Compensation shall be reduced automatically, if necessary, so that it does not exceed the amount of such payment net of all withholding, allotments and deductions, other than any reduction pursuant to such Deferral Election. No amounts shall be withheld during any period an individual ceases to receive Compensation as a Nonemployee Director for any reason during the Plan Year. No adjustment shall be made in the amount to be withheld from any subsequent payment of Compensation for a Plan Year to compensate for any missed or reduced withholding amounts above.

**(ii) Stock Grant Deferrals**. To defer from a Stock Grant, a Nonemployee Director's Deferral Election shall specify the number of shares of Company Stock, in increments of one hundred (100) shares, to be deferred. A Nonemployee Director may defer for any Plan Year up to one hundred percent (100%) of the Stock Grant awarded for such year.

**(d) Revocation**. Once made for a Plan Year, a Participant may not revoke a Deferral Election for such Plan Year.

**(e) Crediting of Deferral Contributions**. The Plan Administrator shall credit to each Participant's Account for a Plan Year the amount of Compensation or Stock Grant, or both, reflected on the Participant's Deferral Election as of the date(s) on which such Compensation or Stock Grant would have been paid if not subject to the Participant's Deferral Election.

3.3 **Deferral Elections and Multiple Participating Companies**. Any Deferral Election which is timely executed and delivered to the Plan Administrator shall be effective to defer Compensation and Stock Grant earned by the Participant from the Participating Company with respect to which such Participant is a Nonemployee Director at the time of the election, or any other Participating Company with respect to which such
Participant is a Nonemployee Director during the Plan Year for which the Deferral Election is effective. In particular, a Participant (i) who timely executes and delivers a Deferral Election while serving as a Nonemployee Director of one Participating Company and subsequently becomes a Nonemployee Director of another Participating Company, or (ii) who ceases service as a Nonemployee Director and subsequently becomes a Nonemployee Director of another Participating Company, shall have the Compensation and Stock Grant that is paid or payable to him by both Participating Companies reduced under the terms of the Deferral Election and the Plan as if the moves had not occurred; provided, that, as provided in Section 3.2(c), no amounts of Compensation shall be withheld attributable to any portion of the Plan Year during which he is not receiving Compensation as a Nonemployee Director of a Participating Company.

3.4 **Vesting**. A Participant shall at all times be fully vested in such Participant's Deferral Contributions and all deemed investment earnings attributable thereto.

## ARTICLE IV
## DETERMINATION AND CREDITING OF INVESTMENT RETURN

4.1 **General Investment Parameters**. The rate of return credited to each Participant's Accounts shall be determined on the basis of the Investment Option(s) applicable to the Participant's Accounts, as set forth in this Article IV.

4.2 **Deemed Investments**. The manner in which each Participant's Deferral Contributions for each Plan Year shall be deemed invested in and between the Stock Unit Option and/or the Interest Income Option, shall be determined in accordance with the following terms:

**(a) Nature of Deemed Investments**. A deemed investment in the Stock Unit Option and/or Interest Income Option shall be for the sole purpose of determining the rate of return to be credited to a Participant's Account, and shall not be treated or interpreted in any manner whatsoever as a requirement or direction to actually invest assets in Company Stock, an interest income fund, or any other investment media. The Plan, as an unfunded, nonqualified deferred compensation plan, at no time shall have any actual investment of assets relative to the benefits or Accounts hereunder.

**(b) Investment of Contributions**. All deferrals of Compensation otherwise payable in the form of Company Stock, and all deferrals of Stock Grants, shall be deemed

invested in the Stock Unit Option. Notwithstanding the foregoing, all deferrals of Compensation otherwise payable with respect to special meetings of the Board (or a committee of the Board) shall be deemed invested in the Interest Income Option. With respect to deferrals of Compensation otherwise payable in cash, a Nonemployee Director shall complete an Investment Election prescribing the percentage of such Deferral Contributions for the Plan Year that will be deemed to be invested in the Stock Unit Option and/or the Interest Income Option; provided, such Investment Election shall specify one of the three alternatives, as follows:

(i) 100% of such Deferral Contributions for the Plan Year shall be deemed invested in the Stock Unit Option;

(ii) 100% of such Deferral Contributions for the Plan Year shall be deemed invested in the Interest Income Option; or

(iii) 50% of such Deferral Contributions for the Plan Year shall be deemed invested in the Stock Unit Option, and 50% of such Deferral Contributions for the Plan Year shall be deemed invested in the Interest Income Option.

**(c) Investment of Existing Account Balances**. A Participant may not make an Investment Election changing the percentage of an existing Account balance that will be deemed to be invested in the Stock Unit Option and/or the Interest Income Option. Once a deemed investment is made with respect to an Account, it shall continue to apply with respect to such Account until all amounts in such Account are distributed.

**(d) Investment Subaccounts**. For the sole purpose of tracking a Participant's investment elections and calculating investment earnings attributable to a Participant's Account for a Plan Year pursuant to the terms of this Article IV, the Plan Administrator shall establish and maintain for such Participant for such Plan Year a Stock Unit Subaccount and an Interest Income Subaccount, as necessary, the total of which shall equal such Participant's Account for such Plan Year.

4.3 **Stock Unit Options**.

**(a) Stock Unit Subaccount**. To the extent that a Nonemployee Director's Deferral Contributions for a Plan Year are deemed to be invested in the Stock Unit Option, the Participant's Stock Unit Subaccount for such Plan Year shall be credited, as of the date(s) on which Compensation or Stock Grants which comprise such Deferral Contributions would have been paid if not subject to the Participant's Deferral Election, with a number of Stock Units equal to (i) with respect to Stock Grants and Compensation that would be payable in the form of Company Stock if not deferred, the number of shares of Company Stock that would be so payable, and (ii) with respect to Compensation that would be payable in the form of cash if not deferred, the number of full and fractional shares of Company Stock that could have been purchased with such cash at the average of the high and low sales prices of one share of Company Stock on the New York Stock Exchange for the period of five Business Days ending on the date such Compensation is so credited (or the period of five Business Days ending on the immediately preceding Business Day if such date is not a Business Day).

**(b) Cash Dividends**. As of each date on which a cash dividend has been paid on Company Stock, the number of Stock Units credited to a Participant's Stock Unit Subaccount for each Plan Year shall be increased by a number of additional Stock Units equal to the quotient of (i) the amount of dividends that would have been paid on the number of shares of Company Stock equivalent to the number of Stock Units credited to such subaccount as of such dividend payment date, divided by (ii) the average of the daily high and low sales prices of one share of Company Stock on the New York Stock Exchange for the period of five Business Days ending on such dividend payment date (or the period of five Business Days ending on the immediately preceding Business Day if such date was not a Business Day).

**(c) Adjustments**. In the event of any change in outstanding shares of Company Stock, by reclassification, recapitalization, merger, consolidation, spin-off, combination, exchange of shares, stock split, reverse stock split or otherwise, or in the event of the payment of a stock dividend on Company Stock, or in the event of any other increase or decrease in the number of outstanding shares of Company Stock, other than the issuance of shares for value received by BellSouth or the redemption of shares for value, the Plan Administrator shall adjust the number and/or form of Stock Units in the manner it deems appropriate in its reasonable judgment to reflect such event, including substituting or adding publicly traded shares of companies other than the Company as a basis for determining Stock Units. The Plan Administrator similarly shall make such adjustments as it deems are appropriate in its reasonable judgment in the form, including the basis of measurement, of Stock Units in the event all shares of Company Stock cease for any reason to be outstanding or to be actively traded on the New York Stock Exchange. In the event the Plan Administrator determines in its reasonable judgment that it would not be possible to appropriately reflect an event under this paragraph (c) by adjusting the number and/or form of Stock Units, the Plan administrator shall establish a special Valuation Date appropriate to such event for all Stock Unit Subaccounts and shall cause such subaccounts, as so valued, automatically to be converted into Interest Income Subaccounts, which thereafter shall be subject to Section 4.4.

4.4 **Interest Income Option**

(a) **Interest Income Subaccount**. To the extent that a Nonemployee Director's Deferral Contributions for a Plan Year are deemed to be invested in the Interest Income Option, the Participant's Interest Income Subaccount for such Plan Year shall be credited, s of the date(s) on which Compensation which comprises such Deferral Contributions would have been paid if not subject to the Participant's Deferral Election, with such portion of the Nonemployee Director's Deferral Contributions.

(b) **Crediting of Deemed Interest**. As of each Valuation Date, the Plan Administrator shall credit a Participant's Interest Income Subaccounts with the amount of earnings applicable thereto for the period since the immediately preceding Valuation Date. Such crediting of earnings for each Interest Income Subaccount shall be effected, as follows:

(i) **Amount Invested**. The Plan Administrator shall determine the amount of (A) in the case of an Interest Income Subaccount established in connection with a Deferral Election for the Plan Year in which such Valuation Date occurs, such Participant's Deferral Contributions credited to such Participant's Interest Income Subaccount since the immediately preceding Valuation Date plus the balance of such Participant's Interest Income Subaccount for such Plan Year as of the immediately preceding Valuation Date; and (B) in the case of an Interest Income Subaccount for a prior Plan Year, the balance of such Participant's Interest Income Subaccount as of the immediately preceding Valuation Date; minus the amount distributed from such Participant's Interest Income Subaccount since the immediately preceding Valuation Date; and

(ii) **Determination of Amount**. The Plan Administrator then shall apply the Credited Interest Rate for such Plan Year to such Participant's adjusted Interest Income Subaccount (as determined in subparagraph (i) hereof), and the total amount of investment earnings resulting therefrom shall be credited to such Participant's Interest Income Subaccount as of such Valuation Date.

4.5 **Good Faith Valuation Binding**. In determining the value of Accounts, the Plan Administrator shall exercise its best judgment, and all such determinations of value (in the absence of bad faith) shall be binding upon all Participants and their Beneficiaries.

4.6 **Errors and Omissions in Accounts**. If an error or omission is discovered in the Account of a Participant or in the amount of a Participant's Deferral Contributions, the Plan Administrator, in its sole discretion, shall cause appropriate, equitable adjustments to be made as soon as administratively practicable following the discovery of such error or omission.

## ARTICLE V
## PAYMENT OF ACCOUNT BALANCES

5.1 **Benefit Amounts**:

(a) **Benefit Entitlement**. As the benefit under the Plan, each Participant (or Beneficiary) shall be entitled to receive the total amount of the Participant's (or Beneficiary's) Accounts, determined as of the most recent Valuation Date, and payable at such times and in such forms as described in this Article V.

(b) **Valuation of Benefit**. For purposes hereof, each Account of a Participant as of any Valuation Date shall be equal to (i) the total amount of all of such Participant's Deferral Contributions credited thereto; plus (ii) all deemed investment earnings attributable thereto; minus (iii) the total amount of all benefit payments previously made therefrom.

(c) **Conversion of Stock Units into Dollars**. For purposes of converting some or all of a Participant's Stock Units into a dollar amount in valuing the Participant's

Accounts as of any Valuation Date, the value of each Stock Unit shall be equal to the average of the high and low sales prices of one share of Company Stock on the New York Stock Exchange for the last Business Day of each of the three calendar months ending on or immediately preceding such Valuation Date.

5.2 **Elections of Timing and Form** . In conjunction with, and at the time of, completing a Deferral Election for each Plan Year, a Nonemployee Director shall select the timing and form of the distribution that will apply to the Account of such Nonemployee Director for Deferral Contributions (and deemed investment earnings attributable thereto) for such Plan Year. The terms applicable to this selection process are as follows:

(a) **Timing** . For a Participant's Account for each Plan Year, the Participant may elect that distribution will be made or commence as of any January 1 following the Plan Year of deferral; provided, he may not select a benefit payment or commencement date for such Account that is later than the twentieth January 1 following the end of the Plan Year of deferral.

(b) **Form of Distribution** . For a Participant's Account for each Plan Year, the Participant may elect that the distribution will be paid in one of the following forms:

(i) a single lump-sum cash payment; or

(ii) substantially equal annual installments (adjusted for investment earnings between payments in the manner described in Article IV) over a period of one (1) to ten (10) years.

(c) **Multiple Selections** . A Nonemployee Director may select a different benefit payment or commencement date and/or a different form of distribution with respect to such Nonemployee Director's Account for each Plan Year. For ease of administration, the Plan Administrator may combine Accounts and subaccounts of a Participant to which the same benefit payment/commencement date and the same form of distribution apply.

5.3 **Benefit Payments to a Participant.**

(a) **Timing** . A Participant shall receive or begin receiving a distribution of each of such Participant's Accounts as of the earlier of (i) the January 1 selected by such Participant with respect to each such Account pursuant to the terms of Section 5.2(a); or (ii) the January 1 immediately following the date that such Participant's service as a Nonemployee Director with BellSouth and all Affiliates ends for any reason. An amount payable "as of" any January 1 shall be made as soon as practicable after such January 1 and, unless extenuating circumstances arise, no later than January 31.

(b) **Form of Distribution .** A Participant shall receive or begin receiving a distribution of each of such Participant's Accounts in cash in the form selected by such Participant with respect to such Account pursuant to the terms of Section 5.2(b).

(c) **Valuation of Single Lump-Sum Payments .** The amount of a Participant's single lump-sum distribution of any of such Participant's Accounts as of any applicable January 1 shall be equal to the value of such Account as of the Valuation Date immediately preceding the date on which such distribution is paid.

(d) **Valuation of Installment Payments .** For purposes of determining the amount of any installment payment to be paid as of January 1 from an Account, the following shall apply:

(i) for any amount of such Account attributable to an Interest Income Subaccount as of the immediately preceding Valuation Date, such amount shall be divided by the number of remaining installments to be paid from such Account (including the current installment); and

(ii) for any portion of such Account attributable to a Stock Unit Subaccount as of the immediately preceding Valuation Date, the total number of Stock Units constituting such portion shall be divided by the number of remaining installments to be paid from such Account (including the current installment), and the resulting number of Stock Units shall be converted into a dollar amount (pursuant to the terms of Section 5.1(c)) as of such Valuation Date.

5.4 **Death Benefits.**

(a) **General .** If a Participant dies before receiving the entire amount of the benefit under the Plan, such Participant's Beneficiary shall receive distribution of amounts remaining in the Participant's Accounts in the form, as elected by the Participant on a Beneficiary designation form described in Section 5.5, of either:

(i) a single lump-sum cash payment of the entire balance in the Participant's Accounts as of the January 1 immediately following the date of the Participant's death; or

(ii) (A) for Accounts with respect to which distribution has not commenced under Section 5.2 at the time of the Participant's death, substantially equal annual installments (adjusted for investment earnings between payments in the manner described in Article IV) over a period of one (1) to ten (10) years, commencing as of the January 1 immediately following the Participant's death; and (B) for Accounts with respect to which distribution has commenced in the form of installments described in Section 5.2(b)(ii) at the time of the Participant's death, continuation of such installment payment schedule.

An amount payable "as of" any January 1 shall be made as soon as practicable after such January 1 and, unless extenuating circumstances arise, no later than January 31.

(b) **Valuation .** The valuation rules described in subsection 5.3(c) and 5.3(d) shall apply to payments described in this Section

5.5 **Beneficiary Designation.**

(a) **General .** A Participant shall designate a Beneficiary or Beneficiaries for all of such Participant's Accounts by completing the form prescribed for this purpose for the Plan by the Plan Administrator and submitting such form as instructed by the Plan Administrator. Once a Beneficiary designation is made, it shall continue to apply until and unless such Participant makes and submits a new Beneficiary designation form for this Plan.
Notwithstanding the foregoing, after December 31, 2007, no changes may be made to the form or timing of payment of death benefits on previously submitted Beneficiary Designation (although the Beneficiary(ies) designated may be changed consistent with rules prescribed by the Plan Administrator). Prior to January 1, 2008, any such changes may be made only to the extent permitted by and consistent with Section 409A.

(b) **No Designation or Designee Dead or Missing.** In the event that:

(i) a Participant dies without designating a Beneficiary;

(ii) the Beneficiary designated by a Participant is not surviving or in existence when payments are to be made or commence to such designee under the Plan, and no contingent Beneficiary, surviving or in existence, has been designated; or

(iii) the Beneficiary designated by a Participant cannot be located by the Plan Administrator within 1 year from the date benefit payments are to be made or commence to such designee; then, in any such events, the Beneficiary of such Participant shall be the Participant's surviving spouse, if any can then be located, and if not, the estate of the Participant, and the entire balance in the Participant's Accounts shall be paid to such Beneficiary in the form of a single lump-sum cash payment described in Section 5.4(a)(i).

(c) **Death of Beneficiary .** If a Beneficiary who survives the Participant, and to whom payment of Plan benefits commences, dies before complete distribution of the Participant's Accounts, the entire balance in such Accounts shall be paid to the estate of such Beneficiary in the form of a single lump-sum cash payment as of the January 1 immediately following such Beneficiary's death. An amount payable "as of" any January 1 shall be made as soon as practicable after such January 1 and, unless extenuating circumstances arise, no later than January 31. The valuation rules described in subsection 5.3(c) shall apply to any payments described in this subsection 5.5(c).

5.6 **Taxes .** If the whole or any part of any Participant's or Beneficiary's benefit hereunder shall become subject to any estate, inheritance, income, employment or other tax

which a Participating Company shall be required to pay or withhold, the Participating Company shall have the full power and authority to withhold and pay such tax out of any monies or other property in its hand for the account of the Participant or Beneficiary whose interests hereunder are so affected. Prior to making any payment, the Participating Company may require such releases or other documents from any lawful taxing authority as it shall deem necessary. Notwithstanding the foregoing, such withholding will be made with respect to a benefit under the Plan that is subject to Section 409A unless (i) such benefit is currently distributable to the Participant, (ii) such benefit is includible in the gross income of the Participant due to a violation of Section 409A, or (iii) such withholding is for purposes of FICA tax or federal income tax with respect to such benefit.

## ARTICLE VI
## SPECIAL ELECTION REGARDING RETIREMENT PLAN

6.1 **Description of Election .** In connection with the freezing of benefit accruals under the BellSouth Corporation Directors Retirement Plan (the "Retirement Plan") as of April 30, 1997, each active Nonemployee Director shall be offered a special one-time election to convert the entire value of the Retirement Plan benefit of such Nonemployee Director into a benefit described in this Article VI, and thereby cease participation in the Retirement Plan. The value of a Retirement Plan benefit with respect to which the election described in this Section 6.1 is made shall, for all purposes of this Plan (other than Sections 3.2(b), 3.2(c) and 4.2(b)) except as otherwise provided in this Article VI, be deemed to be "Compensation" and "Deferral Contributions", and a separate Account shall be maintained for such Deferral Contributions as if the election was a Deferral Election for a separate Plan Year.

6.2 **Election Deadline .** The Election Deadline for the election described in Section 6.1 shall be April 28, 1997.

6.3 **Amount .** Notwithstanding, any contrary provisions of Section 3.2(c), the election described in Section 6.1 must relate to one hundred percent (100%) of the value of the Retirement Plan benefit of the Nonemployee Director.

6.4 **Deemed Investment .** Notwithstanding any contrary provisions of Section 4.2, Deferral Contributions described in Section 6.1 shall be deemed invested in the Stock Unit Option. Notwithstanding any contrary provisions of Section 4.3(a), the Participant's Stock Unit Subaccount with respect to Deferral Contributions described in Section 6.1 shall be credited as of May 1, 1997, with a number of Stock Units equal to the number of full and fractional shares of Company Stock that could have been purchased with the value of the Retirement Plan benefit (as determined by BellSouth and communicated to the Participant in connection with the election described in Section 6.1) at the average of the high and low sales prices of one share of Company Stock on the New York Stock Exchange for the last Business Day of each of January, February and March 1997.

6.5 **Payment of Benefits .** Notwithstanding any contrary provisions of Sections 5.2 and 5.3, amounts in each Participant's Account attributable to Deferral Contributions described in Section 6.1 shall be payable commencing as of January 1 of the year during which the Retirement Plan benefit of such Nonemployee Director would have commenced, in substantially equal annual installments (adjusted for investment earnings between payments in the manner described in Article IV) for the number of years over which the Retirement Plan benefit of such Nonemployee Director would have been distributed had the election described in Section 6.1 not been made. An amount payable "as of" any January 1 shall be made as soon as practicable after such January 1 and, unless extenuating circumstances arise, no later than January 31.

6.6 **V esting .** Notwithstanding anything to the contrary in this Plan, including without limitation Section 3.4, a Participant shall not be eligible for the benefits described in this Article VI unless the Participant shall have attained the age of fifty-five (55) years, or more, at the time the Participant terminates service as a Nonemployee Director.

## ARTICLE VI-A
## SPECIAL ELECTION REGARDING MASTER ACCOUNT

6.1A **Description of Election .** Each active Nonemployee Director shall be offered a special one-time election to combine into a single Master Account all of the Nonemployee Director's Accounts under the Plan. The election shall be irrevocable upon the Election Deadline.

6.2A **Election Deadline .** The Election Deadline for the Election described in Section 6.1A shall be April 30, 2001.

6.3A **Effect of Election .** For each Nonemployee Director making the election described in Section 6.1A, all Accounts of such Nonemployee Director for each Plan Year under the Plan, beginning with the first Plan Year under the Plan which began May 1, 1997, through and including the upcoming Plan Year under the Plan which begins May 1, 2001, plus the special Account for any such Nonemployee Director who made the election regarding the Retirement Plan described in Section 6.1 of the Plan, shall be combined into a single Master Account under the Plan, with payments from such Master Account to be made under a single distribution schedule. As a result of the election described in Section 6.1A, Nonemployee Directors may delay one or more scheduled benefit payments under an Account, but may not in any event accelerate the timing of payment of any benefit under the Plan. Nonemployee Directors may not elect to combine some, but not all, of such Accounts into the Master Account.

6.4A **Deemed Investment .** The special one-time election described in Section 6.1A shall not affect the Investment Election made by a Nonemployee Director with respect to Deferral Contributions for any Plan Year, or the deemed investment of such Deferral Contributions in either of the Stock Unit Option and/or the Interest Income Option, or the deemed investment of Deferral Contributions described in Section 6.1 in the Stock Unit Option. Stock Unit Subaccounts and/or Interest Income Subaccounts shall continue to be maintained in accordance with Section 4.3 and 4.4 of this Plan, respectively, with respect to the Master Accounts of Nonemployee Directors who make the election described in Section 6.1A.

6.5A **Election of Timing and Form of Payment .** In conjunction with, and at the time of, making the special one-time election described in Section 6.1A, a Nonempoyee Director shall select the timing and form of the distribution that will apply to the Master Account of such Nonemployee Director, subject to the following:

(a) **Timing .** The Participant may elect that distribution will be made or commenced as of any January 1 after the date of such election (but in no event sooner than January 1, 2003); provided, that the Participant may not select a benefit payment or a commencement date for the Master Account (i) that is later than the twentieth (20 th ) January 1 following such election; or (ii) that is earlier than the latest date scheduled previously for distribution to be made or commenced for any Account of such Participant.

(b) **Form of Distribution .** The Participant shall elect that the distribution from such Participant's Master Account will be made in one of the following forms:

(i) as single lump-sum cash payment; or

(ii) substantially equal annual installments (adjusted for investment earnings between payments in the manner described in Article IV) over a period of one (1) to ten (10) years; provided, however, that such Participant may not elect to have such distribution made over a period of years less than the number of years previously elected for the Plan Year with respect to which such Participant elected the longest payment schedule, or, if larger, the number of years over which the Participants Special Account with respect to Retirement Plan benefits, if any, is to be paid.

(c) **Benefit Payments .** The payment of benefits from a Participant's Master Account shall be made in accordance with the provisions of Section 5.3 of the Plan.

## ARTICLE VII
## CLAIMS

7.1 **Initial Claim .** Claims for benefits under the Plan may be filed with the Plan Administrator on forms or in such other written documents, as the Plan Administrator may prescribe. The Plan Administrator shall furnish to the claimant written notice of the disposition of a claim within 90 days after the application therefor is filed. In the event the claim is

denied, the notice of the disposition of the claim shall provide the specific reasons for the denial, citations of the pertinent provisions of the Plan, and, where appropriate, an explanation as to how the claimant can perfect the claim and/or submit the claim for review.

7.2 **Appeal .** Any Participant or Beneficiary who has been denied a benefit shall be entitled, upon request to the Plan Administrator, to appeal the denial of the claim. The claimant (or a duly authorized representative) may review pertinent documents related to the Plan and in the Plan Administrator's possession in order to prepare the appeal. The request for review, together with written statement of the claimant's position, must be filed with the Plan Administrator no later than 60 days after receipt of the written notification of denial of a claim provided for in Section 7.1. The Plan Administrator's decision shall be made within 60 days following the filing of the request for review. If unfavorable, the notice of the decision shall explain the reasons for denial and indicate the provisions of the Plan or other documents used to arrive at the decision.

7.3 **Satisfaction of Claims .** The payment of the benefits due under the Plan to a Participant or Beneficiary shall discharge the Participating Company's obligations under the Plan, and neither the Participant nor the Beneficiary shall have any further rights under the Plan upon receipt by the appropriate person of all benefits. In addition, (i) if any payment is made to a Participant or Beneficiary with respect to benefits described in the Plan from any source arranged by BellSouth or a Participating Company including, without limitation, any fund, trust, insurance arrangement, bond, security device, or any similar arrangement, such payment shall be deemed to be in full and complete satisfaction of the obligation of the Participating Company under the Plan to the extent of such payment as if such payment had been made directly by such Participating Company; and (ii) if any payment from a source described in clause (i) shall be made, in whole or in part, prior to the time payment would be made under the terms of the Plan, such payment shall be deemed to satisfy such Participating Company's obligation to pay Plan benefits beginning with the benefit which would next become payable under the Plan and continuing in the order in which benefits are so payable, until the payment from such other source is fully recovered. The Plan Administrator or such Participating Company, as a condition to making any payment, may require such Participant or Beneficiary to execute a receipt and release therefor in such form as shall be determined by the Plan Administrator or the Participating Company. If receipt and release is required but the Participant or Beneficiary (as applicable) does not provide such receipt and release in a timely enough manner to permit a timely distribution in accordance with the general timing of distribution provisions in the Plan, the payment of any affected distribution may be delayed until the Plan Administrator or the Participating Company receives a proper receipt and release.

## ARTICLE VIII
## SOURCE OF FUNDS

Each Participating Company shall provide the benefits described in the Plan from its general assets. However, to the extent that funds in one or more trusts, or other funding arrangement(s), allocable to the benefits payable under the Plan are available, such assets may be used to pay benefits under the Plan. If such assets are not sufficient or are not used to pay all benefits due under the Plan, then the appropriate Participating Company shall have the obligation, and the Participant or Beneficiary, who is due such benefits, shall look to such Participating Company to provide such benefits. No Participant or Beneficiary shall have any interest in the assets of any trust, or other funding arrangement, or in the general assets of the
Participating Companies other than as general, unsecured creditor. Accordingly, a Participating Company shall not grant a security interest in the assets held by the trust in favor of the Participants, Beneficiaries or any creditor.

## ARTICLE IX
## PLAN ADMINISTRATION

9.1 **Action by the Plan Administrator.**

(a) **Individual Administrator .** If the Plan Administrator is an individual, he or she shall act and record his or her actions in writing. Any matter concerning specifically such individual's own benefit or rights hereunder shall be determined by the Board or its designee.

(b) **Administrative Committee .** If the Plan Administrator is a committee, action of the Plan Administrator may be taken with or without a meeting of committee members; provided, action shall be taken only upon the vote or other affirmative expression of a majority of the committee members qualified to vote with respect to such action. If a member of the committee is a Participant or Beneficiary, he or she shall not participate in any decision which solely affects his or her own benefit under the Plan. For purposes of administering the Plan, the Plan Administrator shall choose a secretary who shall keep minutes of the committee's proceedings and all records and documents pertaining to the administration of the Plan. The secretary may execute any certificate or any other written direction on behalf of the Plan Administrator.

9.2 **Rights and Duties of the Plan Administrator .** The Plan Administrator shall administer the Plan and shall have all powers necessary to accomplish that purpose, including (but not limited to) the following:

(a) to construe, interpret and administer the Plan;

(b) to make determinations required by the Plan, and to maintain records regarding Participants' and Beneficiaries' benefits hereunder;

(c) to compute and certify to Participating Companies the amount and kinds of benefits payable to Participants and Beneficiaries, and to determine the time and manner in which such benefits are to be paid;

(d) to authorize all disbursements by a Participating Company pursuant to the Plan;

(e) to maintain all the necessary records of the administration of the Plan;

(f) to make and publish such rules and procedures for the regulation of the Plan as are not inconsistent with the terms hereof;

(g) to delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder; and

(h) to hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan.

The Plan Administrator shall have the exclusive right to construe and interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters shall be final and conclusive on all parties.

9.3 **Bond; Compensation .** The Plan Administrator and (if applicable) its members shall serve as such without bond and without compensation for services hereunder. All expenses of the Plan Administrator shall be paid by the Participating Companies.

9.4 **Post-Merger Plan Administration .** Notwithstanding anything to the contrary in this Plan, following the Merger, responsibility for administration of the Plan shall be determined under the terms of the Rabbi Trust Agreements. As provided in the Rabbi Trust Agreements, claims for benefits, appeals of benefit denials and Plan interpretations shall be made by a "Trust Contractor" or "Independent Fiduciary" (as such terms are defined in the Rabbi Trust Agreements), as the case may be. At any time during which a Trust Contractor or Independent Fiduciary shall, under the terms of the Rabbi Trust Agreements, have such Plan administrative responsibilities, the term "Plan Administrator" as used in this Plan shall refer to such Trust Contractor or Independent Fiduciary.

## ARTICLE X
## AMENDMENT AND TERMINATION

10.1 **Amendments .** Subject to Section 10.3, the Board shall have the right, in its sole discretion, to amend the Plan in whole or in part at any time and from time to time. In addition, the Plan Administrator shall have the right, in its sole discretion, to amend the Plan at any time and from time to time so long as such amendment is not of a material

nature. Notwithstanding the foregoing, no such action shall accelerate or postpone the time or schedule of payment of any Plan benefits except as may be permitted under Section 409A and regulations thereunder.

10.2 **Termination of Plan .** Subject to Section 10.3, BellSouth reserves the right to discontinue and terminate the Plan at any time, for any reason. Any action to terminate the Plan shall be taken by the Board and such termination shall be binding on all Participating Companies, Participants and Beneficiaries.

10.3 **Limitation on Authority .** Except as otherwise provided in this Section 10.3, no contractual right created by and under any Deferral Election made prior to the effective date of any amendment or termination shall be abrogated by any amendment or termination of the Plan, absent the express, written consent of the Participant who made the Deferral Election.

(a) **Plan Amendments .** The limitation on authority described in this Section 10.3 shall not apply to any amendment of the Plan which is reasonably necessary, in the opinion of counsel, (i) to preserve the intended tax consequences of the Plan described in Sections 11.1 and 11.10, (ii) to preserve the status of the Plan as an unfunded, nonqualified deferred compensation plan for the benefit of a select group of management or highly compensated employees and not subject to the requirements of Part 2, Part 3 and Part 4 of Title I of ERISA, or (iii) to guard against other material adverse impacts on Participants and Beneficiaries, and which, in the opinion of counsel, is drafted primarily to preserve such intended consequences, or status, or to guard against such adverse impacts.

(b) **Plan Termination .** The limitation on authority described in this Section 10.3 shall not apply to any termination of the Plan as the result of a determination that, in the opinion of counsel, (i) Participants and Beneficiaries generally are subject to federal income taxation (including but not limited to taxation, penalty taxes, interest or other adverse tax consequences under Section 409A) on Deferral Contributions or other amounts in Participant Accounts prior to the time of distribution of amounts under the Plan, or (ii) the Plan is generally subject to Part 2, Part 3 or Part 4 of Title I of ERISA, but in either case only if such termination is reasonably necessary, in the opinion of counsel, to guard against material adverse impacts on Participants and Beneficiaries, or BellSouth or Participating Companies. Upon such termination, the entire amount in each Participant's Accounts shall be distributed in a single lump-sum distribution as soon as practicable after the date on which the Plan is terminated; provided, no benefit under the Plan that is subject to Section 409A shall be distributed prior to the earliest date such distribution would be permitted under Section 409A. In such event, the Plan Administrator shall declare that the date of termination (or, if such day is not a Business Day, the last Business Day immediately preceding such day) shall be a Valuation Date and all distributions shall be made based on the value of the Accounts as of such Valuation Date.

(c) **Opinions of Counsel .** In each case in which an opinion of counsel is contemplated in this Section 10.3, any such opinion shall be in writing and delivered to the Board, rendered by a nationally recognized law firm selected or approved by the Board.

## ARTICLE XI
## MISCELLANEOUS

11.1 **Taxation** . It is the intention of BellSouth that the benefits payable hereunder shall not be deductible by the Participating Companies nor taxable for federal income tax purposes to Participants or Beneficiaries until such benefits are paid by the Participating Company to such Participants or Beneficiaries. When such benefits are so paid, it is the intention of the Participating Companies that they shall be deductible by the Participating Companies under Code Section 162.

11.2 **Withholding .** All payments made to a Participant or Beneficiary hereunder shall be reduced by any applicable federal, state or local withholding or other taxes or charges as may be required under applicable law.

11.3 **No Employment Contract .** Nothing herein contained is intended to be nor shall be construed as constituting a contract or other arrangement between a Participating Company and any Participant to the effect that the Participant will be employed by the Participating Company or continue to be a Nonemployee Director for any specific period of time.

11.4 **Headings .** The headings of the various articles and sections in the Plan are solely for convenience and shall not be relied upon in construing any provisions hereof. Any reference to a section shall refer to a section of the Plan unless specified otherwise.

11.5 **Gender and Number .** Use of any gender in the Plan will be deemed to include all genders when appropriate, and use of the singular number will be deemed to include the plural when appropriate, and vice versa in each instance.

11.6 **Assignment of Benefits .** The right of a Participant or Beneficiary to receive payments under the Plan may not be anticipated, alienated, sold, assigned, transferred, pledged, encumbered, attached or garnished by creditors of such Participant or Beneficiary, except by will or by the laws of descent and distribution and then only to the extent permitted under the terms of the Plan.

11.7 **Legally Incompetent .** The Plan Administrator, in its sole discretion, may direct that payment be made to an incompetent or disabled person, for whatever reason, to the guardian of such person or to the person having custody of such person, without further liability on the part of a Participating Company for the amount of such payment to the person on whose account such payment is made.

11.8 **Entire Document .** This Plan document sets forth the entire Plan and all rights and limits. Except for a formal amendment hereto, no document shall modify the Plan or create any additional right or benefits.

11.9 **Governing Law .** The Plan shall be construed, administered and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of Georgia. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

11.10 **Plan to Comply with Code Section 409A .** Notwithstanding any provision to the contrary in this Plan, each provision of this Plan shall be interpreted to permit the deferral of compensation and the payment of deferred amounts in accordance with Code Section 409A and any provision that would conflict with such requirements shall not be valid or enforceable.

**THE AMENDED AND RESTATED**
**BELLSOUTH CORPORATION STOCK PLAN**
**EFFECTIVE APRIL 24, 1995**
**AS AMENDED**

## ARTICLE I
## PURPOSE

The purpose of this Plan is to promote the interests of BellSouth by granting stock-related Awards to Eligible Employees and Non-Employee Directors to:

(1) attract and retain Eligible Employees and Non-Employee Directors;

(2) provide Eligible Employees and Non-Employee Directors with long term financial incentives to increase the value of BellSouth; and

(3) provide Eligible Employees and Non-Employee Directors with a stake in the future of BellSouth which corresponds to the stake of each of BellSouth's shareowners.

Only Eligible Employees and Non-Employee Directors shall be eligible for Awards under this Plan.

## ARTICLE II

## DEFINITIONS

2.1 ***Definitions.*** Each term set forth in this Article II shall have the respective meaning set forth opposite such term for purposes of this Plan, and when the defined meaning is intended the term is capitalized.

"Additional Option" means an Option granted to a Non-Employee Director pursuant to Section 6.4 based upon his or her level of Stock ownership.

"Administrator" means the Compensation Committee, the Director Committee or the Company Administrator, as applicable.

"Agreement" means the written agreement which sets forth the terms and conditions of the grant of an Award as provided in this Plan and such additional terms and conditions, not inconsistent with this Plan, as the Administrator determines are appropriate.

"Award" means an Option, SAR, Restricted Share, Performance Share, Dividend Equivalent Right or Stock Payment granted to a Participant under this Plan.

"Basic Option" means an Option granted to a Non-Employee Director pursuant to Section 6.3.

"BellSouth" means BellSouth Corporation, a Georgia corporation.

"Beneficiary" means the person entitled to receive any payments or exercise any rights following the death of a Participant as determined pursuant to Section 10.5.

"BLS Share" means one share of BLS Stock.

"BLS Stock" means (i) prior to a Tracking stock transaction, the par value $1 per share common stock of BellSouth and (ii) after a Tracking Stock Transaction, the BellSouth Corporation - BLS Group Common Stock, par value $1 per share.

"Board" means the Board of Directors of BellSouth.

"Change in Control" means the occurrence of any of the following:

(i) any "person" (as such term is defined in the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of BellSouth (or of another entity owned directly or indirectly by the shareholders of BellSouth in substantially the same proportions as their ownership of stock of BellSouth), becomes the "beneficial owner" (as defined in Rule l3d-3 under said Act), directly or indirectly, of securities of BellSouth representing 20% or more of the total voting power represented by BellSouth's then outstanding voting securities;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director whose election by the Board or nomination for election by BellSouth's shareholders was approved by a vote of at least two-thirds of the directors who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof;

(iii) the consummation of a merger, plan of reorganization, consolidation, share exchange, or other transaction, in one or a series of related transactions, involving BellSouth, if immediately following such merger, plan of reorganization, consolidation, share exchange, or other transaction or transactions the holders of the voting securities of BellSouth outstanding immediately prior thereto hold securities representing 70% or less of the combined voting power represented by the voting securities of BellSouth or such surviving entity outstanding immediately after such merger, plan of reorganization, consolidation, share exchange, or other transaction or transactions;

(iv) the consummation of a transaction involving the sale or other disposition by BellSouth or one or more of its subsidiaries (defined for purposes of this subparagraph (iv) only as any corporation in which 50% or more of the total combined voting power of all classes of stock is owned directly or indirectly by BellSouth and any joint venture, partnership, limited liability company, or other similar entity of which 50% or more of the capital or profits interest is owned directly or indirectly by BellSouth), in one or a series of related transactions, of interests in an entity or entities, or of assets, which for the most recent audited twelve-month period produced total operating revenues or net income aggregating more than 30% of the total operating revenues or net income of BellSouth and its subsidiaries (taken as a whole), if following such transaction or transactions, any such entity is no longer a subsidiary or such assets are no longer held by a subsidiary;

(v) the dissolution of BellSouth or the sale of all or substantially all of the assets of BellSouth; or

(vi) the consummation of any other transaction which a majority of the Board, in its sole and absolute discretion, shall determine constitutes a Change in Control, for this purpose.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company Administrator" means the chief executive officer of BellSouth, the senior officer of BellSouth responsible for human resources matters or such other person or persons as are designated by the Compensation Committee to administer the Plan on behalf of Participants who are neither Non-Employee Directors nor Covered Employees.

"Compensation" means all compensation payable to a Non-Employee Director for service to BellSouth as a director, other than reimbursement for expenses, including retainer fees for service on, and fees for attendance at meetings of, the Board and any committees thereof.

"Compensation Committee" means the Executive Nominating, Compensation and Human Resources Committee of the Board, or any successor committee of the Board which administers this Plan as provided in Article V.

"Covered Employee" means with respect to any grant of an Award a Participant whom the Compensation Committee deems may be or become a covered employee as defined in Section 162(m)(3) of the Code for any year that such Award may result in remuneration to the Participant and for which year such Participant may receive remuneration over $1 million which would not be deductible under Section 162(m) of the Code but for the provisions of the Plan and any other "qualified performance-based compensation" plan (as defined under Section 162(m) of the Code) of BellSouth; provided, however, that the Compensation Committee may determine that a Participant has ceased to be a Covered Employee prior to Settlement of any Award.

"Director Committee" means the Committee on Directors and Corporate Governance of the Board, or any successor committee of the Board which administers this Plan as provided in Article V.

"Dividend Equivalent Right" means a right, granted to a Participant under Section 9.4, to receive cash or Shares based on the value of dividends paid with respect to a Share.

"Eligible Employee" means any employee (including an Officer, Executive Officer or director who is an employee and including for purposes other than ISOs any former employee) of BellSouth or any Subsidiary. Such term also includes for purposes other than ISOs any non-employee advisor, consultant or independent contractor to BellSouth or any Subsidiary, and any references to employment or termination of employment under this Plan shall be deemed to apply to such an advisor, consultant or independent contractor, for purposes of this Plan only, as if the services of such person constitute employment services.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Executive Officer" means an Officer or other employee or former employee of BellSouth or a Subsidiary who is subject to the reporting requirements of Section 16(a) of the Exchange Act.

"Fair Market Value" for any day means (i) the average of the high and low daily sale prices of a Share on the New York Stock Exchange for that day or, if there are no sales on such day, for the most recent prior day on which a Share was sold on the New York Stock Exchange or (ii) the value of a Share determined in such other manner which reasonably reflects the fair value of a Share on that day as shall be determined by the Administrator.

"IPO" means the initial Public Offering of the Latin America Stock.

"ISO" or "Incentive Stock Option" means an option granted under this Plan to purchase Shares which is intended by BellSouth to satisfy the requirements of Code Section 422.

"Latin America Share" means one share of Latin America Stock.

"Latin America Stock" means the BellSouth Corporation - Latin America Group Common Stock, par value $1 per share.

"Non-Employee Director" means a member of the Board who is not an Officer or employee of BellSouth or its affiliates.

"NQSO" or "Non-Qualified Stock Option" means an option granted under this Plan to purchase Shares which is not intended by BellSouth to be treated as an ISO.

"Number of Shares Issuable with Respect to the Inter-Group Interest" has the meaning set forth in the Amended and Restated Articles of Incorporation.

"Officer" means any executive of BellSouth or any Subsidiary who is a member of the executive compensation group under BellSouth's compensation practices (but not necessarily an Executive Officer).

"Option" means an NQSO or ISO granted under this Plan.

"Option Price" means the price determined in accordance with Section 6.6 which shall be paid to purchase one Share upon the exercise of an Option granted under this Plan.

"Parent Corporation" means any corporation which is a parent of BellSouth within the meaning of Code Section 424(e).

"Participant" means an Eligible Employee or a Non-Employee Director to whom an Award is made.

"Performance Objective" means, as described in Section 10.2, a performance objective specified in the Agreement for a Performance Share, or for any other Award which the Administrator determines to make subject to a performance objective, upon which the vesting or Settlement of such Award is conditioned.

"Performance Period" means the period of time specified in an Agreement over which Performance Shares are to be earned.

"Performance Share" means a bookkeeping entry that records the equivalent of one share awarded pursuant to Section 9.2 of this Plan.

"Plan" means this Amended and Restated BellSouth Corporation Stock Plan, as effective as of December 5, 2000 and as thereafter amended from time to time.

"Prior Plan" means the BellSouth Corporation Stock Option Plan, the BellSouth Enterprises, Inc. Key Manager Incentive Compensation Plan, the BellSouth Executive Long Term Incentive Plan, the BellSouth Corporation Shareholder Return Cash Plan, the BellSouth Corporation Key Manager Shareholder Return Cash Plan and the BellSouth Corporation Non-Employee Director Stock Option Plan, as applicable.

"Prior Stock Plan" means the BellSouth Corporation Non-Employee Director Stock Plan.

"Public Offering" means the first day as of which sales of Latin America Stock are made to the public in the United States pursuant to an underwritten public offering of the Latin America Stock.

"Restricted Period" means the period of time from the date of grant of a Restricted Share until the lapse of restrictions attached thereto under the terms of the applicable Agreement.

"Restricted Share" means a Share which has been awarded to a Participant subject to restrictions under Section 8.1.

"Retainer Multiple" has the meaning set forth in Section 6.4(a).

"Rule 16b-3" means Rule 16b-3 under the Exchange Act.

"SAR" or "Stock Appreciation Right" means the contractual right granted to a Participant pursuant to Section 7.1 to receive a payment upon the exercise of such right

which reflects the appreciation in the Fair Market Value of the number of Shares for which such right was granted.

"SAR Exercise Date" means the date on which the exercise of an SAR occurs under the related Agreement.

"SAR Exercise Price" means the Fair Market Value of a Share on the SAR Exercise Date.

"SAR Grant Price" means the price which would have been the Option Price for one Share if the SAR had been granted as an Option or, if the SAR is granted in tandem with an Option, the Option Price for the related Option.

"Settlement Date" means:

(i) with respect to any Option that has been exercised in whole or in part, the date or dates upon which Shares are to be delivered to the Participant and the Option Price therefor paid;

(ii) with respect to any SARs that have been exercised, the date or dates upon which a cash payment is to be made to the Participant, or in the case of SARs that are to be settled in Shares, the date or dates upon which such Shares are to be delivered to the Participant;

(iii) with respect to Performance Shares, the date or dates upon which cash or Shares are to be delivered to the Participant;

(iv) with respect to Dividend Equivalent Rights, the date upon which payment thereof is to be made; and

(v) with respect to Stock Payments, the date upon which payment thereof is to be made, in each case, determined in accordance with the terms of this Plan and the Agreement under which any such Award was made.

"Share" means a BLS Share or Latin America Share, as the case may be.

"Stock" means BLS Stock or Latin America Stock, as the case may be.

"Stock Payment" means payment of compensation in the form of Shares pursuant to Section 9.3.

"Subsidiary" means:

(i) with respect to an Award other than an ISO, any corporation, joint venture or partnership in which BellSouth owns directly or indirectly (A) with respect to a corporation, stock possessing at least 10% of the total combined voting power of all classes of stock in the corporation, or (B) in the case of a joint venture or partnership, a 10% interest in the capital or profits of such joint venture or partnership; and

(ii) any corporation which is a subsidiary corporation (within the meaning of Code Section 424(f)) of BellSouth by reason of being in an unbroken chain of corporations (beginning with BellSouth) in which each corporation in the unbroken chain (except the last such corporation) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"Ten Percent Shareowner" means a person who owns (after taking into account the attribution rules of Code Section 424(d)) more than 10% of the total combined voting power of all classes of stock of either BellSouth, or Subsidiary or Parent Corporation.

"Tracking Stock Transactions" mean the IPO or any other transaction that provides for the issuance of the Latin America Stock.

2.2 ***References.*** All pronouns are masculine, solely for ease of reading, and should be read as feminine where applicable. Unless the context clearly requires otherwise, the singular shall include the plural and the plural shall include the singular. All references to sections of the Code or other laws or regulations shall include amendments and successor provisions thereto unless otherwise specifically stated or clearly required by the context.

## ARTICLE III

## SHARES SUBJECT TO PLAN

3.1 ***Aggregate Limits.***

(a) ***BLS Shares.*** The aggregate number of BLS Shares with respect to which the grant of Awards, other than Stock Payments and Awards to Non-Employee Directors, may be made in any calendar year under this Plan shall not exceed 1.25% of the total number of BLS Shares outstanding at the time of such grant; provided, however, that the number of such BLS Shares with respect to which grants are not made in any calendar year shall be available for grant in a subsequent calendar year; provided, further, however, that the number of BLS Shares available for such Awards shall be increased by the excess of the number of shares available under the Plan in calendar years prior to the effective date set forth in Section 4.1 for such Awards over the number of shares with respect to which grants of such Awards were made in calendar years prior such effective date. Within such total, the aggregate number of BLS Shares with respect to which the grant of Performance Shares and Restricted Shares may be made in any calendar year under this Plan shall not exceed in combination .25% of the total number of BLS Shares outstanding at the time of grant. Furthermore, in no event shall ISOs with respect to more than 4,000,000 BLS Shares be granted under this Plan. The aggregate number of BLS Shares with respect to which the grant of Stock Payments may be made in any calendar year under this Plan shall not exceed .125% of the total number of BLS Shares outstanding at the time of grant. Finally, the aggregate number of BLS Shares with respect to which Awards, other than Stock Payments, may be made to Non-Employee Directors shall not exceed 1,200,000, and the aggregate number of BLS Shares with respect to which Stock Payments may be granted to Non-Employee Directors shall not exceed 700,000.

(b) ***Latin America Shares .*** The aggregate number of Latin America Shares with respect to which the grant of Awards, other than Stock Payments and Awards to Non-Employee Directors, may be made in any calendar year under this Plan shall not exceed 1.25% of the total number of Latin America Shares outstanding at the time of such grant; provided, however, that the number of such Latin America Shares with respect to which grants are not made in any calendar year shall be available for grant in a subsequent calendar year. Within such total, the aggregate number of Latin America Shares with respect to which the grant of Performance Shares and Restricted Shares may be made in any calendar year under this Plan shall not exceed in combination .25% of the total number of Latin America Shares outstanding at the time of grant. Furthermore, in no event shall ISOs with respect to more than 4,000,000 Latin America Shares be granted under this Plan. The aggregate number of Latin America Shares with respect to which the grant of Stock Payments may be made in any calendar year under this Plan shall not exceed .125% of the total number of Latin America Shares outstanding at the time of grant. Finally, the aggregate number of Latin America Shares with respect to which Awards, other than Stock Payments, may be made to Non-Employee Directors shall not exceed 1,200,000, and the aggregate number of Latin America Shares with respect to which Stock Payments may be granted to Non-Employee Directors shall not exceed 700,000.

For purposes of this Section 3.1, the total number of Latin America Shares outstanding shall include the sum of (i) the number of Latin America Shares issued and outstanding; and (ii) the Number of Shares Issuable with Respect to the Inter-Group Interest in the Latin America Group held by the BLS Group. In the event of a distribution of Latin America Shares to holders of BLS Shares, any grant of an Award of Latin America Shares to adjust an Award of BLS Shares to reflect such distribution shall not reduce the number of Latin America Shares available for grant under the Plan.

3.2 ***Individual Limits.***

(a) ***BLS Shares.*** The number of BLS Shares with respect to which the grant of Awards, other than Stock Payments, may be made to any Participant in any calendar year under this Plan shall not exceed 2,500,000 BLS Shares. Within such total, the number of BLS Shares with respect to which the grant of each of

Performance Shares, Restricted Shares and Dividend Equivalent Rights may be made to any Participant in any calendar year under this Plan shall not exceed in combination 500,000 BLS Shares. Finally, the number of BLS Shares with respect to which the grant of Stock Payments may be made to any Participant in any calendar year under this Plan shall not exceed 250,000 BLS Shares.

(b) ***Latin America Shares.*** The number of Latin America Shares with respect to which the grant of Awards, other than Stock Payments, may be made to any Participant in any calendar year under this Plan shall not exceed 2,500,000 Latin America Shares. Within such total, the number of Latin America Shares with respect to which the grant of each of Performance Shares, Restricted Shares and Dividend Equivalent Rights may be made to any Participant in any calendar year under this Plan shall not exceed in combination 500,000 Latin America Shares. Finally, the number of Latin America Shares with respect to which the grant of Stock Payments may be made to any Participant in any calendar year under this Plan shall not exceed 250,000 Latin America Shares. In the event of a distribution of Latin America Shares to holders of BLS Shares, any grant of an Award of Latin America Shares to adjust an Award of BLS Shares to reflect such distribution shall not reduce the number of Latin America Shares available for grant to any Participant under the Plan for the calendar year in which such distribution occurs.

3.3 ***Application of Limits.*** No grant of an Award shall be made at any time during a calendar year to the extent the number of Shares subject to such Award and the number of Shares subject to Awards previously granted during such year (or during the life of the Plan in the case of ISOs) would exceed a limit in Section 3.1 or 3.2. The number of Shares subject to an Award shall be:

(i) the number of Shares subject to an Option or subject to a SAR that is not granted in tandem with an Option (including a SAR that can be settled in cash);

(ii) the number of Shares subject to a grant of Restricted Shares;

(iii) the maximum number of Shares that could be issued upon Settlement of a grant of Performance Shares (or upon which a cash payment could be based) as determined under the Agreement for such grant and this Plan;

(iv) the number of Shares with respect to which Dividend Equivalent Rights are granted, but excluding Shares subject to Dividend Equivalent Rights which are granted in tandem with another Award grant which otherwise does not provide for the payment of dividends to the Participant; and

(v) the number of Shares that are paid as a Stock Payment.

3.4 ***Adjustments.*** The limits in Sections 3.1 and 3.2 shall be adjusted as provided in Section 10.6. If any Shares subject to an Award are forfeited or such Award otherwise terminates, such number of Shares shall be available for new Awards under the Plan. In addition, Shares surrendered in payment of any exercise or purchase price or in payment of taxes relating to any such Award shall be deemed to constitute Shares not delivered to the Participant and shall be deemed to be available for new Awards under the Plan for purposes of Section 3.1 only.

3.5 ***Shares.*** BellSouth shall reserve from time to time Shares for use under this Plan, and such Shares shall be reserved to the extent BellSouth deems appropriate from authorized but unissued Shares and from Shares which have been reacquired by BellSouth.

## ARTICLE IV

## EFFECTIVE DATE AND DURATION

4.1 ***Effective Date.*** The effective date of the amendment and restatement of this Plan shall be December 5, 2000. This Plan, as amended and restated, will become effective only if approved by the shareholders of BellSouth; provided, however, that the provisions of this Plan, as amended and restated, which relate to Latin America Stock will become effective only upon a Tracking Stock Transaction.

4.2 ***Prior Plan.*** This Plan is a successor to each Prior Plan and the Prior Stock Plan. No further grants of stock options, stock appreciation rights, performance shares, dividend equivalent rights, shareholder return cash units or other interests shall be made (i) under the Prior Plans on or after April 24, 1995 and (ii) under the Prior Stock Plan on or after December 5, 2000, if the Plan is approved by the shareholders. Options and stock appreciation rights, or performance shares, dividend equivalent rights, shareholder return cash units or other outstanding interests under a Prior Plan or Prior Stock Plan shall continue to be governed by the terms of the Prior Plan or Prior Stock Plan, as the case may be; provided, that, effective on and after September 23, 1996, terms of this Plan shall constitute an amendment to the terms of a Prior Plan or Prior Stock Plan, and to the terms of outstanding grants under a Prior Plan or Prior Stock Plan where applicable, when expressly so provided in this Plan.

4.3 ***Duration.*** This Plan shall terminate on December 31, 2004, unless earlier terminated by the Board pursuant to Article XI. No Award shall be granted after the date this Plan terminates. The applicable terms of this Plan, and any terms and conditions applicable to Awards granted prior to such date, shall survive the termination of the Plan and continue to apply to such Awards.

## ARTICLE V

## ADMINISTRATION

5.1 ***Administrator.*** The Plan shall be administered by the Compensation Committee with respect to Covered Employees, the Director Committee with respect to Non-Employee Directors and, subject to regulations and guidelines that may be established by the Compensation Committee, by the Company Administrator with respect to all other Eligible Employees. The Compensation Committee or the Director Committee may adopt such regulations and guidelines as it deems are necessary or appropriate for the administration of the Plan. Subject to such rules, regulations or guidelines, the Company Administrator shall have the power to adopt rules, regulations and guidelines to permit it to administer the Plan with respect to Eligible Employees other than Covered Employees.

5.2 ***Compensation Committee and Director Committee Responsibilities.*** The Compensation Committee shall consist solely of at least two individuals who are intended to qualify as "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act (or any successor rule thereto) and "outside directors" within the meaning of Section 162(m) of the Code (or any successor section thereto). No member of the Compensation Committee or the Director Committee shall be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or Awards. All members of the Compensation Committee and the Director Committee shall be fully protected by BellSouth, to the fullest extent permitted by applicable law, in respect of any such action, determination or interpretation.

5.3 ***Administrator Responsibilities.*** The Administrator shall (a) determine the amount of all grants of Awards under this Plan, (b) determine the terms and conditions of grant Agreements and all election and other forms, which terms and conditions shall not be inconsistent with this Plan, (c) interpret the Plan and (d) make all other decisions relating to the operation of the Plan. The Administrator may adopt, amend or rescind rules or guidelines as it deems are appropriate to implement the Plan and correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Administrator deems necessary or desirable.

5.4 ***Determinations.*** All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participants, BellSouth and all other interested persons.

## ARTICLE VI

## OPTIONS

6.1 ***Grant.*** Subject to the terms and conditions of this Plan, the Administrator from time to time may grant such Options to such Eligible Employees and such Non-Employee Directors to purchase Shares as the Administrator acting in its sole discretion deems are appropriate under the circumstances. Each grant of an Option shall be evidenced by an Agreement, and each Agreement shall incorporate such terms and conditions as the Administrator in its sole discretion deems are consistent with the terms of this Plan, including

conditions on the exercise of such Option which relate to the employment or service of the Participant or the requirement that the Participant exchange a prior outstanding Option and/or SAR; provided that, if the Administrator grants an ISO and NQSO to an Eligible Employee, the right of the Eligible Employee to exercise one such Option shall not be conditioned on his failure to exercise the other such Option. The Administrator may issue new Options equal to the number of Shares surrendered by a Participant upon exercise of a previously granted stock option.

6.2 ***Special Rules for Incentive Stock Options.*** The grant of ISOs shall be subject to the following additional restrictions:

(a) ***Eligible Individuals.*** Incentive Stock Options shall only be granted to an Eligible Employee who at the time of grant is a common law employee of BellSouth or a Subsidiary.

(b) ***Time of Grant.*** No Incentive Stock Option shall be granted pursuant to this Plan more than 10 years after April 24, 1995.

(c) ***Annual Limit.*** The aggregate Fair Market Value (determined at the time the ISO is granted) of the Shares with respect to which one or more ISOs are exercisable for the first time by a Participant during any calendar year under the Plan or with respect to which any incentive stock options described in Section 422 of the Code are so first exercisable under any other stock plan of BellSouth or a Parent Corporation or any Subsidiary shall not exceed $100,000 or such other maximum amount permitted under Section 422 of the Code.

(d) ***Option Term.*** The term of an ISO shall not exceed 10 years from the date of grant.

(e) **Ten Percent Shareholder.** If any Participant to whom an ISO is to be granted pursuant to the provisions of the Plan is, on the date of grant, a Ten Percent Shareholder, then the following special provisions shall be applicable to the ISO granted to such individual:

(i) the Option Price of shares subject to such ISO shall not be less than 110% of Fair Market Value on the date of grant; and

(ii) the Option shall not have a term in excess of 5 years from the date of grant.

Any Option purporting to constitute an ISO in violation of the restrictions in this Section 6.2 shall constitute a NQSO.

6.3 ***Non-Employee Director Basic Options.*** Unless otherwise determined by the Director Committee, on the date of each BellSouth annual shareholders' meeting, each individual who is at that time serving as a Non-Employee Director, whether or not such individual is first elected as a Board member at that meeting or whether or not such individual is standing for reelection as a Board member at that meeting, shall be granted an Option to purchase BLS Shares and/or an Option to purchase Latin America Shares as determined by the Director Committee.

6.4 ***Non-Employee Director Additional Options.***

(a) Unless otherwise determined by the Director Committee, each Non-Employee Director who receives a grant of a Basic Option under Section 6.3 on the date of an annual shareholders' meeting shall be granted Additional Options to purchase BLS Shares and/or Latin America Shares on such date if:

(i) the number of BLS Shares and Latin America Shares owned by such Non-Employee Director (as determined under paragraph (b) below) as of the immediately preceding December 31 (adjusted to appropriately reflect the Tracking Stock Transactions) exceeds

(ii) the sum of (A) the number of BLS Shares and Latin America Shares determined by: (I) dividing a portion of the product of (a) five multiplied by (b) the amount of the annual retainer for Board members in effect on such December 31 (the "Retainer Multiple") by the representative BLS Share price on such December 31, and (II) dividing a portion of the Retainer Multiple by the representative Latin America Share price on such December 31 (as determined under paragraph (c) below) and (B) the number of BLS Shares and Latin America Shares subject to Additional Options previously granted to such Non-Employee Director under this Section 6.4 (whether or not any such previously granted Additional Option has been exercised or has expired). The portion of the Retainer Multiple to be applied to BLS Shares and Latin America Shares shall be in proportion to the number of BLS Shares and Latin America Shares granted as Basic Options for such year.

Such Additional Option shall be for the number of BLS Shares and/or Latin America Shares equal to the excess of (A) one half of the number by which Section 6.4(a)(i) exceeds Section 6.4(a)(ii)(A) (rounded to the next highest whole number) over (B) Section 6.4(a)(ii)(B), limited to a maximum annual grant of BLS Shares and Latin America Shares as determined by the Director Committee.

(b) For purposes of this Section 6.4 only, a Non-Employee Director shall be deemed to "own" the number of Shares equal to the sum of:

(i) those BLS Shares and Latin America Shares, whether registered in the owner's name or in nominee name, which (1) are owned by the Non-Employee Director or his spouse (or jointly) or (2) are owned by a trust with respect to which the Non-Employee Director or his spouse (or both) contributed the BLS Shares or Latin America Shares (or the money or other property used by the trustee to purchase the BLS Shares and/or Latin America Shares) and also holds the power to vote and dispose of such Shares; and

(ii) the number of stock units (i.e., bookkeeping units which reflect the price changes and dividends on a Share) credited to the Non-Employee Director pursuant to any deferred compensation plan maintained by BellSouth.

(c) For purposes of this Section 6.4 only, the representative price of a BLS Share or Latin America Share on any December 31 will equal the average of the Fair Market Value of such Share for the last five trading days on the New York Stock Exchange for the year ending that December 31 and the first five such trading days in the next succeeding year.

6.5 ***Other Options.*** The Administrator may establish rules with respect to, and may grant to Eligible Employees or Non-Employee Directors, Options which comply with any amendment to the Code providing for special tax benefits for stock options made after the effective date of this Plan, provided such rules otherwise are consistent with the terms of this Plan.

6.6 ***Option Price.*** The Option Price for each Share subject to an Option shall not be less than the greater of (i) the par value of a Share or (ii) the Fair Market Value of a Share on the date the Option is granted.

6.7 ***Option Period and Exercisability.***

(a) ***Eligible Employees.*** Each Option granted to an Eligible Employee under this Plan shall be exercisable at such time or times as set forth in the related Agreement over the period which begins on the date such Option is granted, and each Option shall expire automatically on the earliest of (i) the date such Option is exercised in full, (ii) the date such Option expires in accordance with the terms of the related Agreement or (iii) the date such Option is forfeited or deemed to expire upon the exercise of any tandem SAR. An Agreement may provide for the exercise of an Option after the employment of an Eligible Employee has terminated for any reason whatsoever, including retirement, death or disability, but such provision shall have no force or effect whatsoever and shall be inoperative if the Administrator determines that such termination was for "cause" or was a result of misconduct in connection with his employment. Upon such termination, the Option shall be forfeited.

(b) ***Non-Employee Directors.***

(i) Unless otherwise provided in an Agreement, an Option granted to a Non-Employee Director shall become exercisable on the first anniversary of the Grant Date; provided, however, that in the event that, prior to such first anniversary, (1) the Non-Employee Director terminates his service

on the Board by reason of (A) death, (B) disability, or (C) retirement (which shall mean termination of service on the Board after the Non-Employee Director has attained age 55 and completed at least five years of service as a director on the Board), or (2) a Change in Control shall occur, then an Option shall become immediately exercisable upon the occurrence of such event or, if later, the expiration of the six-month period following the Grant Date. Subject to the foregoing, an Option shall be exercisable at any time in whole or in part (but if in part, in an amount equal to at least 100 Shares or, if less, the number of Shares remaining to be exercised under the Option) on any business day of BellSouth before the date such Option expires under this Section 6.7.

(ii) Unless otherwise provided in an Agreement, an Option shall expire on the earlier of:

(1) the first date on or after the Grant Date and prior to a Change in Control on which the Non-Employee Director (A) resigns from or is not re-elected to the Board prior to being eligible for retirement under clause (b)(i)(1)(c) of this Section 6.7; (B) resigns for the purpose of accepting, or retires and subsequently accepts, a directorship or employment, or becomes associated with, employed by or renders service to, or owns an interest in (other than as a shareholder with a less than 5% interest in a publicly traded company) any business that is competitive with any BellSouth company or with any other business in which any of the BellSouth companies have a substantial direct or indirect interest; or (C) resigns as a result of an interest or affiliation which would prohibit continued service as a director;

(2) the date the Option (or a tandem SAR) has been exercised in full; or

(3) one day after the expiration of the ten-year period which begins on the Option Grant Date or, in the case of a Non-Employee Director who dies within six months prior to such day, the last day of the six month period which begins on the date of the Non-Employee Director's death.

6.8 ***Method of Exercise.***

(a) ***Exercise of Option.*** An Option may be exercised by properly completing and actually delivering to BellSouth an exercise form prescribed by the Administrator for this purpose, together with payment in full of the Option Price for the Shares the Participant desires to purchase through such exercise in the manner specified in the exercise form. Payment may be made:

(i) in cash or its equivalent (e.g., by check);

(ii) in BLS Shares or Latin America Shares, as the case may be, having a Fair Market Value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Administrator, *provided* , that such Shares have been held by the Participant for no less than six months (or such other period as established from time to time by the Administrator or generally accepted accounting principles);

(iii) partly in cash and partly in such Shares;

(iv) through the delivery of irrevocable instructions to a broker to deliver promptly to BellSouth an amount equal to the aggregate Option Price for the Shares being purchased; or

(v) in the form of other property as determined by the Administrator.

Any Shares which are tendered in payment shall be valued at their Fair Market Value on the Settlement Date.

(b) ***Attestation.*** Wherever in this Plan or any Agreement a Participant is permitted to pay the Option Price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Administrator, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case BellSouth shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

## ARTICLE VII

## STOCK APPRECIATION RIGHTS

7.1 ***Grant.*** Subject to the terms and conditions of this Plan, the Administrator may grant a SAR to any Eligible Employee or Non-Employee Directors either (i) in tandem with the grant of an ISO in the case of an Eligible Employee, (ii) in tandem with the grant of an NQSO or (iii) independent of the grant of an ISO or NQSO. The Administrator may grant a SAR to each Non-Employee Director in tandem with each grant of a Basic Option and an Additional Option. Each grant of a SAR which is in tandem with the grant of an ISO or an NQSO shall be evidenced by the same Agreement as the ISO or NQSO which is granted in tandem with such SAR and such SAR shall relate to the same number of Shares as such Option. Each SAR which is granted independent of an ISO or NQSO shall be evidenced by a separate Agreement which shall state the number of Shares to which such SAR shall relate and such other terms and conditions as the Administrator in its sole discretion deems are consistent with the terms of this Plan, including conditions on the exercise of such SAR which relate to the employment or service of the Participant or the requirement that the Participant exchange a prior outstanding Option and/or SAR.

7.2 ***Payment at Exercise.*** Upon the settlement of a SAR in accordance with the terms of the related Agreement, the Participant shall (subject to the terms and conditions of this Plan and such Agreement) receive a payment equal to the excess, if any, of the SAR Exercise Price for the number of Shares of the SAR being exercised at that time over the SAR Grant Price for such Shares. Such payment may be made in whole Shares or in cash, or partially in Shares and partially in cash, as determined under the SAR Agreement. If payment is made in whole or in part in Shares, such Shares shall be valued for this purpose at the SAR Exercise Price on the date the SAR is exercised, and any payment in Shares which calls for a payment in a fractional Share automatically shall be paid in cash based on such valuation.

7.3 ***Special Terms and Conditions.*** Each Agreement which evidences the grant of a SAR shall incorporate such terms and conditions as the Administrator in its absolute discretion deems are consistent with the terms of this Plan and the Agreement for the ISOs and NQSOs, if any, granted in tandem with such SAR except that (i) if a SAR is granted in tandem with an ISO or a NQSO, the SAR shall be exercisable only when the related ISO or NQSO is exercisable and (ii) the Participant's right to exercise a SAR granted in tandem with an ISO or NQSO shall be forfeited to the extent that he exercises the related ISO or NQSO and his right to exercise the ISO or NQSO shall be forfeited to the extent he exercises the related SAR, but any such forfeiture shall not count as a forfeiture for purposes of making the Shares subject to such Option or SAR again available for use under Article III.

## ARTICLE VIII

## RESTRICTED SHARES

8.1 ***Grant.*** Subject to the terms and conditions of this Plan, the Administrator may grant Restricted Shares to any Eligible Employee or Nonemployee Director as provided in this Article VIII. Each grant of Restricted Shares shall be evidenced by an Agreement which shall state such terms and conditions as the Administrator deems are consistent with the terms of this Plan.

8.2 ***Restrictions.*** Restricted Shares shall be subject to such conditions and restrictions as the Administrator shall determine and specify in the related Agreement, which may include, but are not limited to, continued employment or service with BellSouth or a Subsidiary and achievement of Performance Objectives, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Administrator may determine and so specify. Except to the extent restricted under the terms of the Plan and the Agreement relating to the Restricted Shares, a Participant granted Restricted Shares shall have all of the rights of a shareholder including, without limitation, the right to vote Restricted Shares and the right to receive dividends thereon.

8.3 ***Forfeiture.*** If a Participant fails to meet the terms and conditions of the Agreement for such Restricted Shares during the Restricted Period, Restricted Shares still

subject to restrictions shall be forfeited, and all rights of the Participant to such Shares shall terminate without further obligation on the part of BellSouth. An Agreement may provide that the Restricted Period will end upon the retirement, death or disability of a Participant while an employee or director or upon such other event or events as the Administrator shall determine or may otherwise provide that such an event will not result in forfeiture of the Restricted Shares.

8.4 ***Certificates for Shares.*** Restricted Shares granted under the Plan may be evidenced in such manner as the Administrator shall determine. The Administrator may place a legend on the Share certificates referring to such restrictions and may require the Participant, until the restrictions have lapsed, to keep the Share certificates, together with duly endorsed stock powers, in the custody of BellSouth or its transfer agent or to maintain evidence of Share ownership, together with duly endorsed stock powers, in a certificateless book-entry account with BellSouth's transfer agent.

8.5 ***Adjustments.*** Shares distributed in connection with a stock split or stock dividend, and other property distributed as a dividend or pursuant to an adjustment under Section 10.6, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Shares with respect to which such Shares or other property has been distributed.

## ARTICLE IX

## OTHER STOCK RIGHTS

9.1 ***Grant.*** Subject to the terms and conditions of this Plan, the Administrator may grant Performance Shares, Stock Payments or Dividend Equivalent Rights as provided in this Article IX. A grant of Performance Shares and Dividend Equivalent Rights shall be evidenced by an Agreement, and a grant of Stock Payments may be evidenced by an Agreement, which Agreement shall contain such terms and conditions as the Administrator deems are consistent with the terms of this Plan.

9.2 ***Performance Shares.*** Performance Shares shall become payable to a Participant based upon the achievement of specified Performance Objectives and upon such other terms and conditions as the Administrator may determine and specify in the Agreement evidencing such Performance Shares. Each grant shall satisfy the conditions for performance-based Awards under Section 10.2. A grant may provide for the forfeiture of Performance Shares in the event of termination of employment or other events, subject to exceptions for death, disability, retirement or other events, all as the Administrator may determine and specify in the Agreement for such grant, provided that no exception shall apply if the Administrator determines that the termination was for "cause" or was a result of misconduct in connection with his employment or service. Payment may be made at such time and in such form, either in cash or Shares, or a combination thereof, as the Administrator shall determine and specify in the Agreement.

9.3 ***Stock Payments.***

(a) ***Eligible Employees.*** The Administrator may grant Stock Payments to an Eligible Employee as a bonus or additional compensation or in lieu of the obligation of BellSouth or a Subsidiary to pay cash compensation under other compensatory arrangements, with or without the election of the Eligible Employee. A Participant shall have all voting, dividend, liquidation and other rights with respect to Shares issued to the Participant as a Stock Payment upon the Participant becoming holder of record of such Shares; provided, however, the Plan Administrator may impose such restrictions on the assignment or transfer of such Shares as it deems are appropriate and specifies in an Agreement for such Stock Payment. A Stock Payment shall be subject to such other terms as the Administrator deems are consistent with the terms of this Plan and specifies in any Agreement for such Stock Payment.

(b) ***Non-Employee Directors.*** The Director Committee may grant Stock Payments to a Non-Employee Director as additional compensation or in lieu of the obligation of BellSouth to pay cash compensation. In addition, unless otherwise determined by the Director Committee, for each date that a retainer payment otherwise is due to a Non-Employee Director, BellSouth shall pay such Non-Employee Director a Stock Payment for the number of BLS Shares and/or Latin America Shares, as determined by the Director Committee, equal to 50% of such retainer payment based upon the average of the high and low daily sales prices of a BLS Share and/or a Latin America Share on the New York Stock Exchange ("NYSE") for the period of five trading days ending on such retainer payment date (or the period of five trading days immediately preceding such date if the NYSE is closed on such date). Such Stock Payment will be made in lieu of the cash payment of such 50% of the retainer. Certificates or other evidence of all whole Shares will be delivered promptly following each Stock Payment. Any payment for a fractional Share automatically will be made in cash.

9.4 ***Dividend Equivalent Rights.*** The Plan Administrator may grant Dividend Equivalent Rights in tandem with the grant of Options, SARs, or Performance Shares that otherwise do not provide for the payment of dividends on the Shares subject to such Awards for the period of time to which such Dividend Equivalent Rights apply, or may grant Dividend Equivalent Rights that are independent of any such Award. A Dividend Equivalent Right granted in tandem with another Award may be evidenced by the Agreement for such other Award; otherwise, a Dividend Equivalent Right shall be evidenced by a separate Agreement. Payment may be made in cash or Shares, or a combination thereof, may be immediate or deferred, and may be subject to such employment, Performance Objectives or other conditions as the Administrator may determine and specify in the Agreement for such Dividend Equivalent Rights. The total payment attributable to a Share subject to a Dividend Equivalent Right shall not exceed 100% of the equivalent dividends payable with respect to a Share during the term of such Dividend Equivalent Right, taking into account any assumed reinvestment (including assumed reinvestment in Shares) or interest earnings on such equivalent dividends as determined under the Agreement in the case of deferred payment, provided that such percentage may increase to a maximum of 200% if the Dividend Equivalent Right is subject to a Performance Objective as described in Section 10.2.

## ARTICLE X

## SPECIAL PROVISIONS APPLICABLE TO AWARDS

10.1 ***Rule 16b-3 Compliance.***

(a) ***Six-Month Holding Period.*** Unless a Participant could otherwise exercise a derivative security or dispose of Shares delivered upon exercise of a derivative security granted under the Plan without incurring liability under Section 16(b) of the Exchange Act, (i) Shares delivered under the Plan other than upon exercise or conversion of a derivative security granted under the Plan shall be held for at least six months from the date of acquisition, and (ii), with respect to a derivative security granted under the Plan, at least six months shall elapse from the date of acquisition of the derivative security to the date of disposition of the derivative security (other than upon exercise or conversion) or its underlying equity security.

(b) ***Reformation to Comply with Exchange Act Rules.*** It is the intent of BellSouth that this Plan comply in all respects with applicable provisions of Rule 16b-3 or Rule 16a-l(c)(3) under the Exchange Act in connection with any grant of Awards to, or other transaction by, a Participant who is subject to Section 16 of the Exchange Act (except for transactions exempted under alternative Exchange Act Rules). Accordingly, if any provision of this Plan or any Agreement relating to an Award does not comply with the requirements of Rule 16b-3 or Rule l6a-1(c)(3) as then applicable to any such transaction, such provision will be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 or Rule l6a-1(c)(3) so that such Participant shall avoid liability under Section 16(b).

(c) ***Prior Plan Window Period SARs.*** Effective November 24, 1996, in light of the elimination by the Securities and Exchange Commission of the condition for exemption from Section 16(b) of the Exchange Act that stock appreciation rights be exercised for cash only during a specified "window period", outstanding stock appreciation rights tandem to non-qualified options issued under the BellSouth Corporation Stock Option Plan are amended to remove the window period restriction for cash exercise such that such stock appreciation rights granted in 1989 and 1990 are now exercisable for cash at any time and that such stock appreciation rights granted in all other years are now exercisable for either cash or Shares at any time, provided in all cases that such a stock appreciation right can only be exercised if the optionee meets all other applicable requirements for the exercise of such stock appreciation right under the terms of the Prior Plan and the applicable grant agreement, including any requirement relating to the optionee's status under Section 16(a) of the Exchange Act at the time of grant or exercise. This Section 10.1(c) shall constitute an amendment to the BellSouth Corporation Stock Option Plan, and to outstanding non-qualified stock option and tandem stock appreciation right agreements thereunder, to the extent necessary to effect this change to such outstanding stock appreciation rights under such plan. A Prior Plan participant's (or beneficiary's) election to exercise such an outstanding stock appreciation right during any expanded period provided by this Section 10.1(c) shall constitute any required consent by the participant (or beneficiary) to such amendment.

10.2 ***Performance-Based Awards.***

(a) ***General.*** Each Agreement for the grant of Performance Shares shall specify the number of Performance Shares subject to such Agreement, the

Performance Period and the Performance Objective, and each Agreement for the grant of any other Award that the Administrator determines to make subject to a Performance Objective similarly shall specify the applicable number of Shares, the period for measuring performance and the Performance Objective. Each Agreement for a performance-based grant shall specify in respect of a Performance Objective the minimum level of performance below which no payment will be made, shall describe the method for determining the amount of any payment to be made if performance is at or above the minimum acceptable level but falls short of full achievement of the Performance Objective, and shall specify the maximum percentage payout under the Agreement. Such maximum percentage in no event shall exceed 100% in the case of performance-based Restricted Shares and 200% in the case of Performance Shares or performance-based Dividend Equivalent Rights.

(b) ***Performance Objective.*** The Administrator shall determine and specify the Performance Objective in the Agreement for a Performance Share or for any other performance-based Award, which Performance Objective shall consist of (i) one or more business criteria, including (except as limited under Section 10.2(c) below for Awards to Covered Employees) financial, service level and individual performance criteria, and (ii) a targeted level or levels of performance with respect to such criteria. Performance Objectives may differ between Participants and between types of Awards and from year to year.

(c) ***Additional Rules Applicable to Covered Employees.*** The Performance Objective for Performance Shares and any other performance-based Award granted to a Covered Employee shall be objective and shall otherwise meet the requirements of Section 162(m)(4)(C) of the Code and shall be based on one or more of the following business criterion: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on shareholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) profitability of an identifiable business unit or product; (xi) maintenance or improvement of profit margins; (xii) stock price; (xiii) market share; (xiv) revenues or sales; (xv) costs; (xvi) cash flow; (xvii) working capital; (xviii) return on assets; and (xix) total shareholder return. The foregoing criterion may relate to BellSouth, one or more of its Subsidiaries or one or more of its divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Compensation Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the performance goals may be calculated without regard to extraordinary items. Achievement of this Performance Objective shall be measured over a period of years not to exceed ten as specified by the Compensation Committee in the Agreement for the performance-based Award. No business criterion other than that named above in this Section 10.2(c) may be used in establishing the performance objective for an Award to a Covered Employee under this Section 10.2. For each such Award relating to a Covered Employee, the Compensation Committee shall establish the targeted level or levels of performance for such business criterion (i) while the outcome for that performance period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period. The Compensation Committee may, in its discretion, reduce the amount of a payout otherwise to be made in connection with an Award under this Section 10.2(c), but may not exercise discretion to increase such amount, and the Committee may consider other performance criteria in exercising such discretion. All determinations by the Compensation Committee as to the achievement of Performance Objectives under this Section 10.2(c) shall be made in writing. The Compensation Committee may not delegate any responsibility under this Section 10.2(c).

(d) ***Intent with regard to Code Section 162(m).*** It is the intent of BellSouth that, unless otherwise determined by the Compensation Committee, Options, SARs, and Awards subject to Performance Objectives specified under this Section 10.2, granted under the Plan to persons who are Covered Employees, shall constitute "qualified performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder. Accordingly, unless otherwise determined by the Compensation Committee, if any provision of the Plan or any Award agreement relating to such an Award granted to a Covered Employee does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder (including Proposed Regulation 1.162-27 unless and to the extent it is superseded by an interim or final regulation), such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Compensation Committee or any other person discretion to increase the amount of compensation otherwise payable to a Covered Employee in connection with any such Award upon attainment of the Performance Objectives.

10.3 ***Change in Control.***

(a) ***General.*** The Compensation Committee shall have the right in its sole discretion to include with respect to any Award granted to a Participant under this Plan provisions accelerating the vesting or Settlement of such Award upon a Change in Control, subject to the restrictions on dispositions of equity securities set forth in Sections 10.1(a) and 12.1 and the restrictions in Section 10.3(d) below. Such acceleration rights may be included as part of the Agreement for such Award or may be included at any time after the Award has been granted to the Participant. Such acceleration rights may include, or be made subject to, such restrictions as the Compensation Committee may deem are appropriate to avoid or ameliorate the federal income tax impact of excess parachute payments as defined in Section 280G(b) of the Code.

(b) ***Options and SAR Grants.*** Any Option or SAR granted under the Plan on and after September 23, 1996 shall become fully vested and exercisable upon a Change in Control. Such Option or SAR following a Change in Control accordingly (i) shall be exercisable without regard to any dates specified in the applicable grant Agreement and (ii) any conditions specified in the grant Agreement or otherwise in the Plan for the forfeiture of the Option or SAR, including any conditions related to termination of employment or noncompetition, shall not apply, subject in both cases to the continued application of the expiration date specified in the grant Agreement on which the Option or SAR will expire in all events.

(c) ***Outstanding Non-Qualified Stock Options and SARs.*** Effective September 23, 1996, Section 10.3(b) also shall apply to all outstanding non-qualified stock options and tandem SARs under this Plan and also those issued under the BellSouth Corporation Stock Option Plan, subject in both cases to the consent of the applicable participant in accordance with rules established by BellSouth. This Section 10.3 (and related definitions) shall constitute an amendment to the BellSouth Corporation Stock Option Plan, and to all outstanding non-qualified stock options and tandem stock appreciation rights under this Plan and under the Prior Plan, to the extent necessary to effect this change to all such outstanding non-qualified stock options and stock appreciation rights.

(d) ***Pooling of Interests Accounting Treatment.*** Notwithstanding anything to the contrary in this Plan, if the application of this Section 10.3 would preclude the use of pooling of interests accounting treatment with respect to a transaction for which such treatment otherwise is available and to be adopted by BellSouth, the provisions of this Section 10.3 shall be modified as it applies to such transaction, to the minimum extent necessary to prevent such impact, including if necessary the invalidation of such provisions to the extent they otherwise would have been triggered by such transaction. If the pooling of interests accounting rules require modification or invalidation of one or more provisions of this Section 10.3 as it applies to such transaction, the adverse impact on the Participant (including for this purpose a Prior Plan participant) shall, to the extent reasonably possible, be proportionate to the adverse impact on other similarly situated Participants of BellSouth. The Board shall, in its sole and absolute discretion, make all determinations necessary under this subsection; provided, that determinations regarding the application of the pooling of interests accounting rules for these purposes shall be made by BellSouth with the concurrence of BellSouth's independent auditors at the time such determination is to be made.

10.4 ***Transferability During Lifetime.***

(a) ***General Rule.*** During the lifetime of a Participant to whom an Award is granted, only the Participant (or such Participant's legal representative) may exercise or receive payment of an Award. No Award (other than unrestricted Stock Payments upon receipt) may be sold, assigned, transferred (except as provided in the sentence above), exchanged, or otherwise encumbered or made subject to any creditor's process, whether voluntary, involuntary or by operation of law, and any attempt to do so shall be of no effect. This Section 10.4(a) shall apply to all Awards except as provided in Sections 10.4(b) and 10.4(c) below.

(b) ***Limited Exception for Certain NQSOs and SARs.*** Unless the terms of the applicable grant Agreement for an NQSO or SAR specifically provides that this Section 10.4(b) shall not apply, a Participant who is an Officer or a Non-Employee Director (or a retired Officer or Non-Employee Director) may transfer such Participant's rights under any NQSO or SAR Agreement (other than a SAR tandem to an ISO) granted on or after November 24, 1996 by properly completing and delivering to the executive compensation group at BellSouth headquarters a Non-Qualified Stock Option Assignment Form and satisfying such other conditions as BellSouth may impose, provided that such transfer is without consideration and to (i) one or more of the Participant's spouse, parents, spouse's parents, siblings, siblings' lineal descendants, children, children's lineal descendants, children's spouses and children's spouses' lineal descendants, including in all cases legally adopted individuals, or (ii) a trust, partnership or similar entity for the benefit solely of one or more of the family members described above. The rights of any such transferee thereafter shall be nontransferable except that such transferee, where applicable under the terms of the transfer by the Participant, shall have the right previously held by the Participant to designate a Beneficiary. A Participant may make such a transfer of the Participant's rights with respect to less than all of the total number of Shares subject to an Option or SAR Agreement provided that each such transfer shall apply to at least 20% of the total number of Shares initially subject to such Agreement. Upon the transfer by a

Participant of any rights under an SAR Agreement or under an NQSO Agreement which includes a tandem SAR, any right under the SAR to exercise such SAR for cash automatically is eliminated with respect to such transferred interest. Notwithstanding Section 12.5 or the terms of any Agreement, BellSouth or any Subsidiary shall not withhold any amount attributable to the Participant's tax liability from any payment of cash or Shares to a transferee or transferee's Beneficiary under this Section 10.4(b) upon exercise of a transferred NQSO or SAR by such person, but may require the payment of an amount equal to BellSouth's or any Subsidiary's withholding tax obligation as a condition to such exercise or as a condition to the release of cash or Shares upon such exercise.

(c) ***Outstanding Non-Qualified Stock Options and SARs.*** Effective November 24, 1996, Section 10.4(b) also shall apply to all non-qualified stock options and SARs tandem to non-qualified stock options outstanding under the Plan and also to all outstanding non-qualified stock options and tandem SARs issued under the BellSouth Corporation Stock Option Plan. This Section 10.4 (and related Plan provisions on transferability) shall constitute an amendment to the BellSouth Corporation Stock Option Plan, and to all outstanding non-qualified stock option and tandem stock appreciation right grant agreements under this Plan and the Prior Plan, to the extent necessary to effect this change to such outstanding non-qualified stock options and tandem stock appreciation rights. The election by a Participant or Beneficiary (including for this purpose a participant or beneficiary under the Prior Plan) to transfer any such non-qualified stock option and tandem stock appreciation right pursuant to this Section 10.4(c) shall constitute any required consent by the Participant (or Beneficiary) to such amendment.

10.5 ***Transfers to Death Beneficiary.*** In the event of a Participant's death, all of such person's outstanding Awards, including his or her rights to receive any accrued but unpaid Stock Payments, will transfer to the maximum extent permitted by law to such person's Beneficiary (except to the extent a permitted transfer of a NQSO or SAR previously was made pursuant to Section 10.4). Each Participant may name, from time to time, any beneficiary or beneficiaries (which may be named contingently or successively) as his or her Beneficiary for purposes of this Plan. Each designation shall be on a form prescribed by the Administrator, will be effective only when delivered to BellSouth, and when effective will revoke all prior designations by the Participant. If a Participant dies with no such beneficiary designation in effect, such person's Beneficiary shall be his or her estate and such person's Awards will be transferable by will or pursuant to laws of descent and distribution applicable to such person.

10.6 ***Adjustments.*** In the event that the Administrator shall determine that any dividend or other distribution (whether in the form of cash, Shares, or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off,
combination, repurchase, or share exchange, or other similar corporate transaction or event, affects Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under this Plan, then the Administrator, in such manner as it may deem equitable, shall adjust any or all of (i) the number and kind of shares which may thereafter be delivered in connection with Awards, (ii) the number and kind of shares that may be delivered or deliverable in respect of outstanding Awards, (iii) the number and kind of shares with respect to which Awards may be granted as set forth in Article III, and (iv) the exercise price, grant price, or purchase price relating to any Award, or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award. Any such adjustment made by the Administrator, including any cancellation of an outstanding Award made as part of such adjustment, will be final and binding. The terms of this Section 10.6 (and related definitions) shall apply to all outstanding grants and awards under the Prior Plans, and this Section 10.6 shall constitute an amendment to the terms of the Prior Plans and to the terms of all such outstanding grants and awards.

## ARTICLE XI

## AMENDMENTS AND TERMINATION

The Board shall have the right to amend, modify, suspend or terminate the Plan at any time; provided, that following the approval of the Plan by BellSouth shareholders, this Plan may not be amended without further approval by shareholders, to the extent such approval is required by the Code, the Exchange Act or other applicable law. No enactment, modification, suspension or termination of the Plan shall alter or impair any Awards previously granted under this Plan without the consent of the holder thereof, unless otherwise required by law. It is conclusively presumed for this purpose that any adjustment for changes in capitalization pursuant to Section 10.6 of this Plan does not affect any right of the holder of an Award. Notwithstanding the foregoing, the Board may not amend the terms of any Option to reduce the Option price. Nor may the Board, without approval by shareholders, cancel any Option and grant a new Option with a lower Option price such that the effect would be the same as reducing the Option price.

## ARTICLE XII

## GENERAL PROVISIONS

12.1 ***Stock Restrictions.*** BellSouth shall have the right under this Plan to restrict or otherwise delay the issuance of any Shares purchased or paid under this Plan until the requirements of any applicable laws or regulations and any stock exchange requirements have been in BellSouth's judgment satisfied in full. Furthermore, any Shares which are issued as a result of purchases or payments made under this Plan shall be issued subject to such restrictions and conditions on any resale and any other disposition as BellSouth shall deem necessary or desirable under any applicable laws or regulations or in light of any stock exchange requirements.

12.2 ***Term of Service.*** The granting of an Award to a Participant under this Plan shall not obligate BellSouth to provide that Participant upon the termination of his or her employment or service with any benefit whatsoever except as provided under the terms and conditions of that Award or obligate the Participant to remain an employee or director.

12.3 ***No Shareholder Rights.*** No Award shall confer on any Participant, or anyone claiming on his behalf, any of the rights of a shareholder of BellSouth unless and until Shares are duly issued or transferred on the books of BellSouth in accordance with the terms and conditions of the Award.

12.4 ***No Right to Employment/Continued Service or Awards.*** The granting of an Award under the Plan shall impose no obligation on BellSouth or any Subsidiary to continue the employment or service of a Participant and shall not lessen or affect BellSouth's or Subsidiary's right to terminate the employment or service of such Participant. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Administrator's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

12.5 ***Unfunded Plan.*** This Plan shall be unfunded and BellSouth shall not be required to segregate any assets that may at any time be represented by Awards under this Plan. Neither BellSouth, its affiliates, the Administrator, nor the Board shall be deemed to be a trustee of any amounts to be paid under this Plan nor shall anything contained in this Plan or any action taken pursuant to its provisions create or be construed to create a fiduciary relationship between any such party and a Participant or anyone claiming on his or her behalf. To the extent a Participant or any other person acquires a right to receive payment pursuant to an Award under this Plan, such right shall be no greater than the right of an unsecured general creditor of BellSouth.

12.6 ***Taxes.*** BellSouth or any Subsidiary shall withhold from any payment of cash or Shares to a Participant or other person under this Plan an amount sufficient to cover any withholding taxes which may become required with respect to such payment or shall take any other action as it deems necessary to satisfy any income or other tax withholding requirements as a result of the grant or exercise of any Award under this Plan. BellSouth or any Subsidiary shall have the right to require the payment of any such taxes and require that any person furnish information deemed necessary by BellSouth or any Subsidiary to meet any tax reporting obligation as a condition to exercise or before making any payment pursuant to an Award.

12.7 ***Binding Effect.*** The provisions of this Plan, and any applicable Agreement, election, Beneficiary designation or other related document, shall be binding upon each Participant and any of his Beneficiaries, transferees, heirs, assignees, distributees, executors, administrators, personal representatives or any other person claiming any rights under this Plan. Any such person claiming any rights under this Plan shall be subject to the terms and conditions of this Plan and all such documents and such other terms and conditions, not inconsistent with this Plan, as the Administrator may impose pursuant to Article V.

12.8 ***Choice of Law and Venue.*** This Plan and all related documents shall be governed by, and construed in accordance with, the laws of the State of Georgia,without regard to the conflict of laws provisions thereof (except to the extent provisions of federal law may be applicable). Acceptance of an Award shall be deemed to constitute consent to the jurisdiction and venue of the Superior Court of Fulton County, Georgia and the United States District Court for the Northern District of Georgia for all purposes in connection with any suit, action, or other proceeding relating to such Award, including the enforcement of any rights under this Plan or any Agreement or other document, and shall be deemed to constitute consent to any process or notice of motion in connection with such proceeding being served by certified or registered mail or personal service within or without the State of Georgia, provided a reasonable time for appearance is allowed.

**FIRST AMENDMENT**
**TO THE**
**BELLSOUTH CORPORATION**
**STOCK AND INCENTIVE COMPENSATION PLAN**

THIS FIRST AMENDMENT is made to the BellSouth Corporation Stock and Incentive Compensation Plan (as amended June 28, 2004) (the "Stock Plan");

WHEREAS, Section 17 of the Stock Plan, in pertinent part, provides that the Board of Directors of BellSouth Corporation (the "Board") may at any time and from time to time amend or modify the Stock Plan, provided that no material amendment and, to the extent necessary under any applicable law, regulation or exchange requirement, no other amendment, shall be effective unless approved by the shareholders of the Company in accordance with applicable law, regulation or exchange requirement; and

WHEREAS, in the Charter of the BellSouth Corporation Executive Nominating and Compensation Committee (the "Compensation Committee"), the Board has delegated to the Compensation Committee authority to approve amendments to existing executive compensation plans or programs, other than amendments involving significant policy considerations or as otherwise appropriate; and

WHEREAS, the Compensation Committee desires to amend the definition of "Change in Control" under the Stock Plan as it relates to the acquisition of shares or voting securities of the Company to increase the threshold level acquisition from twenty percent (20%) to twenty-five percent (25%); and

WHEREAS, the Compensation Committee has been informed that the proposed amendment would not require shareholder approval under the terms of the Stock Plan or otherwise and that the Compensation Committee has authority to approve such amendment; and

WHEREAS, the Compensation Committee approved such amendment on September 26, 2005;

NOW, THEREFORE, the Stock Plan is hereby amended as follows:

> Each reference to "twenty percent (20%)" in the definition of "Change in Control" in Section 2.11 of the Stock Plan is deleted and replaced with "twenty-five percent (25%)."

Any other provisions of the Stock Plan not amended herein shall remain in full force and effect.

This First Amendment to the Stock Plan shall be effective with respect to all awards and grants made under the Stock Plan on and after September 26, 2005.

Approved: /s/ Richard D. Sibbernsen
Vice President – Human Resources

Dated: September 28, 2005

**BELLSOUTH CORPORATION**
**AMENDED AND RESTATED**
**TRUST UNDER BOARD OF DIRECTORS BENEFIT PLAN(S)**

This Agreement made this 11th day of October , 2006, by and between BellSouth Corporation, a Georgia corporation (Company) and The Northern Trust Company, an Illinois corporation of Chicago, Illinois (Trustee);

(a) WHEREAS, Company has adopted the nonqualified deferred compensation Plan(s) as listed in Appendix A for certain members of its Board of Directors;

(b) WHEREAS, Company has incurred or expects to incur liability under the terms of such Plan(s) with respect to the individuals participating in such Plan(s);

(c) WHEREAS, to make certain provisions for the payment of such liability, Company and a predecessor Trustee on April 25, 1990 executed a trust agreement for the benefit of certain directors of Company and Company's affiliates who participate in the Plan(s) (the "Predecessor Trust");

(d) WHEREAS, Company and such predecessor Trustee on November 9, 1993 amended and restated the Predecessor Trust insofar as it related to Company's obligations (but not obligations of subsidiary or other affiliated entities) to pay benefits under the Plan(s) (hereinafter, called "Successor Trust") and contributed assets to the Successor Trust, subject to the claims of Company's creditors in the event of Company's Insolvency, as herein defined, until full payment has been made in respect of such obligations of Company to Plan participants and their beneficiaries in such manner and at such times as specified in the Plan(s);

(e) WHEREAS, Company and such predecessor Trustee amended and restated the Trust on April 28, 1995 and May 23, 1996;

(f) WHEREAS, subsequent amendments to the Trust have been made from time to time following such amendment and restatements (including an amendment made as of November 1, 2003, appointing The Northern Trust Company as successor trustee);

(g) WHEREAS, Company and Trustee now desire once again to amend and restate the Successor Trust in the form of this Amended and Restated Trust Agreement (hereinafter, called "Trust");

(h) WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan(s) as an unfunded plan maintained for the purpose of providing deferred compensation for members of Company's Board of Directors who are not employees of Company or affiliated entities; and

(i) WHEREAS, it is the intention of Company to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan(s);

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment of Trust .

(a) Company and Trustee hereby amend and restate in all respects the Successor Trust in the form of this Trust Agreement. The principal of the Trust shall be held, administered and disposed of by Trustee as provided in this Trust Agreement.

(b) The Trust hereby established shall be irrevocable.

(c) The Trust is intended to be a grantor trust, of which Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

(d) The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of Company and shall be used exclusively for the uses and purposes of Plan participants and general creditors as herein set forth. Plan participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan(s) and this Trust Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against Company. Any assets held by the Trust will be subject to the claims of Company's general creditors under federal and state law in the event of Insolvency, as defined in Section 3(a) herein.

(e)(1) Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property acceptable to Trustee in trust with Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Trust Agreement. Neither Trustee nor any Plan participant or beneficiary shall have any right to compel any such additional deposits under this subsection (1).

(e)(2) If, as of the last day of a fiscal year of the Trust, the funding level of the Trust shall be less than eighty percent (80%) of the Trust's funding level as of the last day of any of the five (5) most recently preceding fiscal years of the Trust (taking into account contributions made under this Section 1(e)(2) for each such year), disregarding for purposes of this Section 1(e)(2) fiscal years ending prior to January 1, 1994, Company shall notify Trustee of such situation and Company shall make an irrevocable contribution to the Trust as soon as possible, but in no event longer than one hundred twenty (120) days following the last day of such fiscal year. Such contribution shall be in an amount sufficient to bring the Trust's funding level equal to the Trust's funding level as of the last day of the fiscal year among the five (5) most recently preceding fiscal years on which the Trust's funding level was highest. In no event shall such contribution be required if, as of the last day of such fiscal year, the fair market value of the Trust's assets is one hundred percent (100%), or greater, of the aggregate Current Liability (as defined in subsection (5) of this Section 1(e)) of Company under the Plan(s). For purposes of this Section 1(e)(2), "funding level" shall mean the ratio (stated as a percentage) that the fair market value of the assets in the Trust bears to the aggregate Current Liability of Company under the Plan(s). The Trust's funding level shall be determined as of the last day of each fiscal year, except that in determining the amount of the required contribution, the fair market value of the Trust's assets shall be determined as of the valuation date most recently preceding the date on which such contribution is made.

(e)(3) If, as of the last day of a fiscal year of the Trust, the funding level of the Trust (taking into account any contribution required under subsection (2) of this Section 1(e)) shall be less than one hundred percent (100%), Company shall notify Trustee of such situation and shall make an irrevocable contribution to the Trust within one hundred eighty (180) days following the last day of such fiscal year. Such contribution shall be in the amount which, had the contribution been made as of the last day of such fiscal year of the Trust, would have been sufficient to bring the Trust's funding level to 100% as of the last day of such fiscal year. For purposes of this Section 1 (e)(3), "funding level" shall mean the ratio (stated as a percentage) that the fair market value of the assets in the Trust bears to the aggregate Current Liability of Company under the Plan(s); provided, that such Current Liability shall be determined using, instead of the interest rate described in Section 1(e)(5) hereof, the valuation interest rate

assumption reported by the enrolled actuary for Company's principal defined benefit pension plan (measured by the number of active management employees of Company and affiliated entities participating in all such plans at the end of the respective plan year which coincides with or ends within the fiscal year of the Trust), in its actuarial valuation report for such plan for such plan year, for purposes of funding such respective plan for such plan year. Notwithstanding the foregoing, (1) if the enrolled actuary for Company's principal defined benefit pension plan changes the applicable valuation interest rate reported for a plan year, as described in the sentence above, in the enrolled actuary's actuarial statement and opinion subsequently prepared as part of the annual report required by the Employee Retirement Income Security Act of 1974, as amended ("ERISA") for such plan year, (i) Company shall so notify the Trustee, (ii) the changed valuation interest rate shall be substituted for the originally reported valuation interest rate in determining Company's contribution required under this Section 1(e)(3) above, and (iii) Company shall make any additional required contribution resulting from such change within sixty (60) days after the change, and (2) if as of the end of a fiscal year of the Trust, Company and affiliated entities do not maintain a defined benefit pension plan covering management employees with assets having an aggregate market value of at least Fifty Million Dollars ($50,000,000.00), Current Liability for purposes of this Section 1(e)(3) shall be determined using an interest rate assumption equal to the average of the monthly averages of the 30-year constant maturity U.S. Treasury rate, expressed in percent per annum, during such fiscal year of the Trust, as published in the Federal Reserve Report, a successor report or, if there is no successor report, comparable data, plus one percent (1%) per annum.

(e)(4) For purposes of subsections (2) and (3) of this Section 1(e), the funding level of the Trust and all related determinations shall be made by Company; provided, however, that following the commencement of service by the Independent Fiduciary, such determinations shall be made by the Independent Fiduciary. The Trustee may rely on the accuracy of all such determinations.

(e)(5)(A) For purposes of this Trust, "Current Liability" shall mean the amount required to pay each Plan participant or beneficiary the benefits to which Plan participants or their beneficiaries would be entitled pursuant to the terms of the Plan(s), to the extent such benefits are obligations of Company (and not obligations of subsidiary or other affiliated entities). The Current Liability on any date with respect to a Plan shall be determined as if the Plan terminated as of such date using an interest rate (subject to Section 1(e)(3)) equal to the Pension Benefit Guaranty Corporation valuation interest rate for immediate annuities as in effect on such date, the 1983 Group Annuity Mortality Table published by the Society of Actuaries, and reasonable actuarial calculation principles consistently applied. Current Liability shall be determined, as of the last day of each fiscal year of the Trust and at such additional times as are necessary to implement the provisions of this Trust Agreement, by Company; provided, however, that following the commencement of service by the Independent Fiduciary, such determinations shall be made by the Independent Fiduciary. The Trustee may rely on the accuracy of all such determinations.

(e)(5)(B) In the event that the interest rate assumption described in subsection (5)(A) above is at any time no longer available or the mortality assumption described above is at any time no longer considered a reasonable and reliable mortality assumption, other interest rate (subject to Section 1(e)(3)) or mortality assumptions, as the case may be, deemed generally comparable to the above-specified assumptions, may be used instead. All determinations regarding substitute assumptions, including whether such substitution is reasonably necessary and the selection of the substitute assumption(s), shall be made by Company; provided, however, that following the commencement of service by the Independent Fiduciary, such determinations shall be made by the Independent Fiduciary.

(f) Upon a Change of Control, Company shall promptly notify Trustee thereof and, as soon as possible, but in no event longer than one hundred twenty (120) days following the Change of Control, as defined herein, Company shall make an irrevocable contribution to the Trust in an amount that is sufficient to pay each Plan participant or beneficiary the benefits to which Plan participants or their beneficiaries would be entitled pursuant to the terms of the Plan(s), to the extent such benefits are obligations of Company (and not obligations of subsidiary or other affiliated entities), as of the date on which the Change of Control occurred. Such contribution shall be in an amount equal to the excess, if any, of the aggregate Current Liability as of the date on which the Change of Control occurred over the fair market value of the Trust's assets as of the valuation date most recently preceding the date on which such contribution is made. Thereafter, Company shall make an additional contribution each fiscal year to the Trust, as soon as possible, but in no event longer than one hundred twenty (120) days following the last day of each such fiscal year, in an amount equal to the excess, if any, of the aggregate Current Liability under the Plan(s) as of the last day of the fiscal year over the fair market value of the Trust's assets as determined on the valuation date most recently preceding the date on which such contribution is made. The amount of all such contributions shall be determined by the Independent Fiduciary. The Trustee may rely on the accuracy of all such determinations.

(g) If, as of a Distribution Date with respect to outstanding rights to purchase Series A First Preferred Stock, under the terms of and as defined in a Rights Agreement between Company and Chemical Bank, as Rights Agent, under an agreement originally dated November 27, 1989 (or successor thereto) (a "Distribution Date"), the aggregate Current Liability exceeds the fair market value of the Trust's assets (such fair market value determined as of the valuation date most recently preceding such Distribution Date), Company shall be required to make an additional contribution to the Trust in an amount equal to such excess or, at Company's option, to obtain a letter of credit, or a series of letters of credit, adequate to fund such amount as of such Distribution Date under the Plan(s) and maintain such letter(s) of credit until such time as the aggregate Current Liability no longer exceeds the fair market value of the Trust's assets. The determination of whether the aggregate Current Liability exceeds the fair market value of the Trust's assets upon a Distribution Date and, if so, the amount of such excess, shall be made by Company; provided, however, that following the commencement of service by the Independent Fiduciary, such determinations shall be made by the Independent Fiduciary. The Trustee may rely on the accuracy of all such determinations. Any such letter of credit, or series of letters of credit, shall be part of the general assets of Company and shall not be an asset of this Trust and, unless otherwise agreed to in writing by Trustee, Trustee shall have no responsibility whatsoever with respect to the adequacy of, or selection of the issuer or issuers of, any such letter or letters of credit.

(h) If, in any five (5) consecutive calendar year period, (i) there are five (5) or more final determinations by courts of competent jurisdiction that (A) Company or a subsidiary of Company which both is a member of Company's "controlled group of corporations" as such term is defined in Section 13(g)(4) and has adopted a Plan (a "Participating Company") has failed to pay (after reasonable notice and demand for payment) any benefit due under the terms and conditions of a Plan and that (B) there was no material issue of fact or law respecting such company's obligation to make such benefit payment, or (ii) there are two (2) or more final determinations by courts of competent jurisdiction, in lawsuits instituted after reasonable notice and demand with respect thereto, in which the court determines that Company or a Participating Company had acted in bad faith and with a clear and deliberate disregard for such company's obligations under the Plan(s), there shall be deemed to have occurred a Change of Control as defined in this Trust Agreement and Company shall give Trustee prompt written notice of such event. For purposes of this Trust Agreement, the term "final determination" means a determination with respect to which all rights of appeal or to request a review, a rehearing or redetermination have been exhausted or have lapsed.

Section 2. Payments to Plan Participants and Their Beneficiaries .

(a) Company, or the Trust Contractor engaged for such purpose, shall deliver to Trustee a schedule (the "Payment Schedule") that indicates the amounts payable in accordance with the terms and conditions of the Plan(s) in respect of each Plan participant (and his or her beneficiaries), that provides a formula or other instructions acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Plan(s)), and the time of commencement for payment of such amounts. Except as otherwise provided herein, Trustee shall make payments to the Plan participants and their beneficiaries in accordance with such Payment Schedule. The Trustee shall make provision for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of benefits pursuant to the terms of the Plan(s) and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by Company. Payments may be made in cash or, where called for under the terms of the Plan(s), in Company Stock (as such term is defined in Section 5(g) hereof). Notwithstanding the foregoing, if a benefit which is distributable in the form of Company Stock under the terms of a Plan becomes payable at a time when there is no (or insufficient) Company Stock in the Trust with which to satisfy such benefit obligation and if the Company fails or refuses to pay such benefit within a reasonable time after notice from Trustee that it has become so payable, Trustee shall use other assets of the Trust to acquire Company Stock, on the open market or otherwise in its discretion, sufficient to satisfy such benefit obligation.

(b) The entitlement of a Plan participant or his or her beneficiaries to benefits payable by Company under the Plan(s) shall be determined in accordance with the terms of the Plan(s) by Company or such party as it shall designate under the Plan(s), or by a Trust Contractor engaged for such purpose, and any claim for such benefits shall be considered and reviewed and paid or not paid under the procedures set out in the Plan(s). Notwithstanding any Plan provision to the contrary, upon and following the appointment of the Independent Fiduciary, all such determinations shall be made by the Independent Fiduciary, whose determinations shall be final, conclusive and binding on all persons. Neither Trustee, the Independent Fiduciary nor any Trust Contractor shall have any obligation for determining whether any Plan participant or beneficiary has died and shall be entitled to rely upon any information in this regard furnished by Company.

(c) Company may make payment of benefits directly to Plan participants or their beneficiaries as they become due under the terms of the Plan(s). In such event, Company shall make provision for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of benefits pursuant to the terms of the Plan(s) and shall pay amounts withheld to the appropriate taxing authorities. Company shall notify Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to participants or their beneficiaries. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits payable by Company in accordance with the terms of the Plan(s), Company shall make the balance of each such payment as it falls due. Trustee shall notify Company where principal and earnings are not sufficient.

(d) Company (prior to a Change of Control) or the Independent Fiduciary (following a Change of Control) may engage one or more third-party administrators as contractors with respect to the Trust (each such contractor, a "Trust Contractor"), who shall not be a Plan participant or beneficiary (but who may be the Trustee), to perform functions described in this Section 2(d) and elsewhere in this Trust Agreement which would otherwise be performed by Company or the Independent Fiduciary; provided, however, that neither the Company (prior to a Change of Control) nor the Independent Fiduciary (following a Change of Control) may delegate to any Trust Contractor the determinations of claims for benefits under the Plans or appeals therefrom. Such Trust Contractor shall have such duties and responsibilities as conferred upon it by the instrument by which such Trust Contractor is appointed, which may include (by way of example) (i) responsibilities for a specific function with respect to more than one Plan or (ii) responsibility for several functions with respect to a single Plan.

(1) Upon engagement of a Trust Contractor, as soon as practicable but in no event longer than thirty (30) days thereafter, Company shall furnish to the Trust Contractor all information necessary with respect to the scope of such Trust Contractor's engagement, which may include (but not be limited to) copies of the Plan documents, employment records of participants, and other information necessary to determine the benefits which are or may become payable by Company to or with respect to each participant in each Plan, including any benefits payable after the participant's death, and the recipient of same and the procedures which Company has adopted to calculate such benefit payments. Company shall regularly, at least annually, and upon each benefit change under the Plan(s) furnish revised, updated information to such Trust Contractor. In the event Company refuses or neglects to provide updated participant information as contemplated herein, the Trust Contractor shall be entitled to rely on the most recent information furnished to it by Company.

(2) In the event of a Change of Control, the Independent Fiduciary shall have the duty to engage, as soon as practicable thereafter, one or more Trust Contractors if there shall at that time be no Trust Contractors then serving. In addition, if as of a Distribution Date (as such term is defined in Section 1(g) hereof), there shall be no Trust Contractors then serving, Company shall have the duty to designate on a stand-by basis one or more Trust Contractors who shall commence to serve as Trust Contractors in the event such Distribution Date is followed by a Change of Control. After a Change of Control, Company shall not have any control or authority with respect to any Trust Contractor so engaged or then serving, or any successor Trust Contractor, including without limitation any rights with respect to the appointment, removal or replacement of any such Trust Contractor or its duties pursuant to this Trust Agreement.

(3) Unless Trustee agrees to perform the functions of the Trust Contractors described herein, Trustee shall have no responsibility hereunder for any obligation assigned to any Trust Contractor or (subject to subsection (4) below) for the performance of any Trust Contractor's duties and responsibilities under this Trust Agreement.

(4) Company may replace or remove any Trust Contractor from time to time serving hereunder, in its sole discretion, prior to the occurrence of a Change of Control. Following a Change of Control, the Independent Fiduciary, in its sole discretion, may remove any Trust Contractor engaged by Company or any successor Trust Contractor and shall remove any such person and engage a successor to such person if the Independent Fiduciary deems any such person's performance as a Trust Contractor unsatisfactory. At all times following a Change of Control, upon any such removal, or the voluntary resignation of any such Trust Contractor or the occurrence of any other event which shall result in the cessation of performance of any Trust Contractor's duties hereunder, the Independent Fiduciary shall use its best efforts to engage a new Trust Contractor to perform the functions of such prior Trust Contractor; provided, however, that, following a Change of Control, the Independent Fiduciary shall perform the duties of any such Trust Contractor during any period for which Trustee or the Independent Fiduciary is unable to find a replacement Trust Contractor (so that there will be no default in payments under the Plan(s) as a result of the absence of such Trust Contractor), and any person engaged as a Trust Contractor shall in the judgment of the Independent Fiduciary be independent of Company. The person who removes or replaces a Trust Contractor shall be responsible for assuring that there is a timely and complete transfer of records from such Trust Contractor to such person's successor.

(5) Except for the records dealing solely with the assets of the Trust and investment of those assets, which shall be maintained by the Trustee, Trustee or a Trust Contractor engaged for such purpose shall maintain all Plan participant records contemplated by this Agreement, including the Payment Schedule. All such records and copies of the Plan(s) documents and employment records of the participants in the possession of such Trust Contractor shall be made available promptly upon request of Trustee or Company. Such Trust Contractor shall also prepare and distribute participant statements to participants and beneficiaries and shall perform such other duties and responsibilities contemplated under the terms of this Trust Agreement as Company or Trustee or the Independent Fiduciary if appointed, as the case may be, determines is necessary or advisable to achieve the objectives of this Trust Agreement, other than the determinations of claims for benefits under the Plans or appeals therefrom.

(6) Company shall indemnify and hold harmless each Trust Contractor for any liability or expenses, including without limitation advances for or prompt reimbursement of reasonable fees and expenses of counsel and other agents retained by it, incurred by such Trust Contractor with respect to keeping the records for participants' benefits, reporting thereon to participants and beneficiaries, certifying benefit information to Trustee, determining the status of benefits hereunder and otherwise carrying out its obligations under this Trust Agreement, other than those resulting from such Trust Contractor's negligence or willful misconduct or its failure to reasonably calculate and certify the amount of benefits based on the applicable terms of the Plan documents and other information and procedures furnished by Company to such Trust Contractor in accordance with this Trust Agreement. Each Trust Contractor shall be entitled to reasonable compensation for services hereunder, the amount of which shall be agreed upon from time to time by Company or, following a Change of Control, the Independent Fiduciary, and such Trust Contractor in writing, and reimbursement for reasonable expenses incurred in connection with its performance of such services. Following a Change of Control, the Independent Fiduciary's good faith determination of compensation to be paid to a Trust Contractor (including the Independent Fiduciary) when it acts in such capacity) shall be binding on the Company and each other person having an interest in the Trust. All such compensation and expenses shall be paid by Trustee from the assets of the Trust. If not so paid, such compensation and expenses shall be paid by Company.

(7) Except as may be otherwise agreed by a Trust Contractor and Company, or the Independent Fiduciary following a Change of Control, each Trust Contractor's obligations shall be limited solely to those explicitly set forth herein and in the scope of such Trust Contractor's engagement, and such Trust Contractor shall have no responsibility, authority or control, direct or indirect, over the maintenance or investment of the Trust and shall have no obligation in respect of Trustee or the Trustee's compliance with the Trust Contractor's certifications hereunder.

Section 3. Trustee Responsibility Regarding Payments to Trust Beneficiary When Company Is Insolvent .

(a) Trustee shall cease payment of benefits to Plan participants and their beneficiaries if the Company is Insolvent. Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) Company is unable to pay its debts as they become due, or (ii) Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of the Trust shall be subject to claims of general creditors of Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of Company shall have the duty to inform Trustee in writing of Company's Insolvency. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become Insolvent, Trustee shall determine whether Company is Insolvent and, pending such determination, Trustee shall discontinue payment of benefits to Plan participants or their beneficiaries.

(2) Unless Trustee has actual knowledge of Company's Insolvency, or has received notice from Company or a person claiming to be a creditor alleging that Company is Insolvent, Trustee shall have no duty to inquire whether Company is Insolvent. Trustee may in all events rely on such evidence concerning Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Company's solvency. Trustee may appoint an independent accounting, consulting or law firm to make any determination of solvency required by the Trustee under this Section 3. In such event Trustee may conclusively rely upon the determination by such firm and shall be responsible only for the prudent selection of such firm. Trustee shall require that such firm specifically acknowledge in its opinion or other determination that Company, participants, beneficiaries and creditors may rely on such opinion or other determination as third party beneficiaries.

(3) If at any time Trustee has determined that Company is Insolvent, Trustee shall discontinue payments to Plan participants or their beneficiaries and shall hold the assets of the Trust for the benefit of Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of Company with respect to benefits due under the Plan(s) or otherwise.

(4) Trustee shall resume the payment of benefits to Plan participants or their beneficiaries in accordance with Section 2 of this Trust Agreement only after Trustee has determined that Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due from Company to Plan participants or their beneficiaries under the terms of the Plan(s) for the period of such discontinuance, less the aggregate amount of any payments made to Plan participants or their beneficiaries by Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 4. Payments to Company .

(a) Except as provided in Sections 3, 4(b), 4(c), 4(d), 5(b) and 12(c) hereof, after the Trust has become irrevocable, Company shall have no right or power to direct Trustee to return to Company or to divert to others any of the Trust assets before all payment of benefits have been made to Plan participants and their beneficiaries pursuant to the terms of the Plan(s) to the extent such benefits are obligations of Company.

(b) If, prior to a Change of Control, within sixty (60) days following the end of a fiscal year of the Trust, Company provides a written certification to Trustee, reasonably acceptable to the Trustee that, as of the last day of the fiscal year, the fair market value of the assets of the Trust exceeds one hundred twenty percent (120%) of the aggregate Current Liability, Trustee shall, at Company's request, distribute to Company all or part of such excess. No distribution pursuant to this Section 4(b) may be made following a Change of Control.

(c) Prior to a Change of Control, Trustee shall, if so instructed by Company in writing within thirty (30) days after the actual filing of Company's federal income tax return for a year, reimburse Company from the assets of the Trust for federal, state or local income taxes, or any part thereof, which Company certifies that it has paid, attributable to income of the Trust for such year, as determined by Company, within thirty (30) days after receipt of such request. No reimbursement for taxes pursuant to this Section 4(c) may be made following a Change of Control.

(d) Notwithstanding any other provision of this Trust Agreement, including without limitation Section 1(b) hereof, prior to a Change of Control Company shall have the right with respect to each contribution to the Trust (other than contribution(s) required pursuant to Section 1(e)(2), subsections (2) and (3) of Section 1(e) hereof) to cause Trustee to return all or any portion of a contribution and any and all income on such contribution to Company. Such right shall be exercised by giving written notice to Trustee and shall be exercisable in a nonfiduciary capacity without the approval or consent of Trustee or any other person. Such right shall expire with respect to each contribution to the Trust upon the earlier of (i) thirty days following the date on which the contribution is made, (ii) the last day of the taxable year of Company in which the contribution is made or (iii) a Change of Control. Company's right under this Section 4(d) shall expire upon a Change of Control.

Section 5. Investment Authority .

(a) Except as otherwise provided in subsections (c), (d), (e) and (g) of this Section 5, the assets of the Trust shall be invested and reinvested by Trustee, without distinction between principal and income, at such time or times in such investments and pursuant to such investment strategies or courses of action and in such shares and proportions, as Trustee, in its sole discretion, shall deem advisable. Except as otherwise provided herein, Trustee may invest in securities (including stock or rights to acquire stock) or obligations issued by Company. All rights associated with assets of the Trust shall be exercised by Trustee or the person designated by Trustee, and shall in no event be exercisable by or rest with Plan participants.

(b) Company shall have the right, at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity. In connection with any substitution of assets described in this Section 5(b), Company Stock may not revert to Company in kind at any time following a voting record date for any meeting of Company stockholders and before such meeting, unless Trustee shall have voted such shares by proxy. Such reversion may occur immediately following the stockholders' meeting to which such record date relates. Further, any such substitution may be made only out of property available to the Company for the purchase of shares of stock under applicable state law, as determined by Company.

(c) Subject to the provisions of Section 5A, investment authority over the Trust's assets, or any portion thereof, other than dividends on Company Stock held by the Trust, may be reserved by Company to itself from time to time in its absolute discretion, prior to a Change of Control. Any such reservation of discretionary authority by Company shall be communicated to Trustee in writing. In this regard, unless Company notifies Trustee to the contrary, Company shall act through its Trust Asset Management Committee (or other person or committee to which the Board of Directors of the Company delegates such responsibility), or any person who such Committee (or such other person or committee) authorizes in writing to act on its behalf or any other person who is authorized to act on Company's behalf by a resolution of Company's Board of Directors. Company shall furnish Trustee from time to time with a list of the names and signatures of all persons authorized to so act. Furthermore, in addition to such reservation of discretionary authority prior to a Change of Control, Company may appoint one or more investment managers ("Investment Managers") to manage all or a portion of the assets of the Trust. Company shall notify Trustee of each appointment of an Investment Manager (and of any subsequent changes in any such appointment), in writing, and shall direct each Investment Manager to certify to Trustee the names of all persons authorized to act on its behalf. Trustee may continue to rely upon such instruments until otherwise notified in writing by Company or the Investment Manager, as the case may be. Trustee may conclusively rely upon the determinations of and directions from Company acting pursuant to the authority reserved in, or an Investment Manager appointed pursuant to, subsection (c) of this Section 5. All fees and expenses of an Investment Manager shall be paid from the assets of the Trust unless paid by Company. Notwithstanding anything to the contrary contained herein, following a Change of Control, Company may not reserve discretionary authority or appoint an Investment Manager for the management and control of any assets of the Trust and (i) any such prior reservation then in effect shall be nullified and (ii) any such prior appointment then in effect shall be nullified unless its continuance is approved by the Independent Fiduciary in its sole discretion. Following a Change of Control, the Independent Fiduciary shall have the sole authority to appoint and remove Investment Managers.

(d) Trustee shall follow the directions of Company or of an Investment Manager regarding the investment and reinvestment of Trust assets (or such portion thereof as may be under management by Company or an Investment Manager pursuant to subsection (c) of this Section 5), and shall be under no duty or obligation to review or to question any direction of Company pursuant to the authority reserved in, or of an Investment Manager appointed pursuant to, subsection (c) of this Section 5, or to review any investment to be acquired, held or disposed of pursuant to such directions, or to make recommendations with respect to the disposition or continued retention of any such investment and Trustee shall have no authority to take any action or to refrain from taking any action with respect to any such assets unless and until it is directed to do so by Company pursuant to authority reserved in, or an Investment Manager appointed pursuant to, subsection (c) of this Section 5. Notwithstanding anything to the contrary in this Trust Agreement, Company shall indemnify Trustee and hold it harmless from any liability or expense (including reasonable attorneys' fees) resulting from acts or omissions of Trustee taken in reliance on directions or the absence of directions from Company pursuant to authority reserved in, or an Investment Manager appointed pursuant to, subsection (c) of this Section 5 or otherwise in connection

with Trustee's administration of the Trust consistent with subsection (c) of Section 5.

(e) Trustee shall be responsible for the daily investment of cash balances and to the extent it has not received contrary instructions from an entity who has investment responsibility for such cash balances, Trustee shall invest for short term purposes any cash in its custody in bonds, notes and other evidences of indebtedness having a maturity date not beyond five years from the date of purchase, United States Treasury bills, commercial paper, bankers' acceptances and certificates of deposit, and undivided interests or participations herein, and participations in regulated investment companies for which the Trustee or its affiliate is the adviser.

(f) Without in any way limiting the powers and discretions conferred upon Trustee by the other provisions of this Trust Agreement, Trustee or the Company (prior to a Change of Control), or Trustee or the Independent Fiduciary (following a Change of Control), and in each case including any Investment Manager properly appointed by the foregoing, shall be vested with the following powers and discretions (to be exercised in light of the nature and purpose of this Trust) with respect to the assets of the Trust subject to its management and control:

(1) To invest and reinvest in any property, real, personal or mixed, wherever situated and whether or not productive of income or consisting of wasting assets, including without limitation, common and preferred stocks, bonds, notes, debentures (including convertible stocks and securities), leaseholds, mortgages, certificates of deposit or demand or time deposits (including any such deposits with Trustee), shares of investment companies and mutual funds, interests in partnerships and trusts, insurance policies and annuity contracts, and oil, mineral or gas properties, royalties, interests or rights, without being limited to the classes of property in which trustees are authorized to invest by any law or any rule of court of any state and without regard to the proportion any such property may bear to the entire amount of the Trust;

(2) To invest and reinvest all or any portion of the Trust collectively through the medium of any common, collective or commingled trust fund that may be established and maintained by Trustee, to be held and invested subject to all of the terms and conditions thereof, and such trust shall be deemed adopted as a part of the Trust to the extent that assets of the Trust are invested therein;

(3) To retain any property at any time received by the Trustee;

(4) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;

(5) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;

(6) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof and any assessments levied with respect to any such property so deposited;

(7) To extend the time of payment of any obligation held by it;

(8) To hold uninvested any monies received by it, without liability for interest thereon until such monies shall be invested, reinvested or disbursed;

(9) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise;

(10) For the purposes of the Trust, to borrow money from others, to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property held by it;

(11) To manage, administer, operate, insure, repair, improve, develop, preserve, mortgage, lease or otherwise deal with, for any period, any real property or any oil, mineral or gas properties, royalties, interests, or rights held by joining with others, using other Trust assets for any such purposes, to modify, extend, renew, waive or otherwise adjust any provision for amortization of the investment in or depreciation of the value of such property;

(12) To employ suitable agents (including but not limited to professional investment or asset management firms, actuarial and consulting firms) and counsel, who may be counsel to Company (or any affiliated company) or Trustee, and to pay their reasonable expenses and compensation from the Trust to the extent not paid by Company;

(13) To register any securities held in the Trust in the name of a nominee and to hold any investment in bearer form, and to combine certificates representing such investments with certificates of the same issue held by the Trustee in other fiduciary capacities or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by any other person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or an agency or instrumentality thereof, with a federal reserve bank, but the books and records of Trustee shall at all times show that all such investments are part of the Trust;

(14) To settle, compromise, or submit to arbitration any claims, debts, or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, Trustee shall not be required to take any such action unless it shall have been indemnified by Company or the Trust to its reasonable satisfaction against liability and expense it might incur therefrom;

(15) To organize under laws of any state a corporation or trust for the purpose of acquiring and holding title to any property which it is authorized to acquire hereunder and to exercise with respect thereto any or all of the powers set forth herein; and

(16) Generally, to do all acts consistent with its duties hereunder, whether or not expressly authorized, that Trustee may deem necessary or desirable for the protection of the Trust.

(g) Notwithstanding anything to the contrary contained herein (other than the provisions of Section 5A hereof), unless and until directed otherwise by Company, or the occurrence of a Change of Control, the assets of the Trust (other than dividends on Company Stock held by the Trust) shall be invested and reinvested exclusively in the common stock, par value $1.00 per share, of Company (such stock, and any and all securities of any kind which may be issued in respect of, or in exchange for, such shares of stock, the "Company Stock") except to the extent that Company directs otherwise with respect to a portion of the assets in anticipation of reasonable liquidity needs of the Trust. Trustee shall

purchase from Company any such Company Stock acquired for the Trust, unless Trustee is instructed otherwise by Company in writing. With respect to assets of the Trust invested in Company Stock, Trustee shall have no obligation to diversify investments in the Trust, and shall not be subject to any rule of applicable law which might otherwise make necessary, require, or in any way deem appropriate diversification of investments in the Trust, all such rules being hereby expressly waived. Notwithstanding anything to the contrary in this Trust Agreement, Company does hereby discharge, indemnify and hold harmless Trustee, its directors, officers, employees and agents, from and against any and all losses, costs, damages, claims, penalties, expenses (including reasonable attorneys' fees and expenses) or liabilities arising in connection with such Trustee's administration of the Trust consistent with this Section 5(g). Notwithstanding the foregoing, the Trustee shall vote any proxies for such shares of Company Stock held pursuant to this Section 5(g) in its discretion.

(h) Following a Change of Control, the Independent Fiduciary may no longer invest in Company Stock or any other securities or obligations issued by Company or any of its affiliates, and Section 5(g) shall no longer apply. After a Change of Control, the Independent Fiduciary shall have and exercise all discretionary authority for the management and control of Trust assets and shall commence the orderly disposition of Company Stock, subject to the provisions of Section 5A hereof to the extent applicable. The Independent Fiduciary may, in its sole discretion, direct the Trustee to retain Company Stock acquired prior to a Change of Control for such period of time as the Independent Fiduciary deems appropriate and in the best interest of participants and beneficiaries in the Plan(s). In no event may the Independent Fiduciary make additional investments in Company Stock or any other securities or obligations issued by Company or any of its affiliates on behalf of the Trust after a Change of Control, other than (i) amounts held in diversified common investment vehicles in which the Independent Fiduciary invests, and (ii) through the exercise of rights to acquire Company Stock attributable to shares held at the time of the Change of Control, in the Independent Fiduciary's sole discretion, if the Independent Fiduciary deems such exercise appropriate and in best interest of the participants and beneficiaries in the Plan(s).

Section 5A. Sale of Company Stock by Trustee .

(a) Except as otherwise specifically permitted herein, Trustee may not sell Company Stock except: (1) as necessary from time to time to satisfy benefit obligations under the Plan(s) which are required to be paid under this Trust; (2) pursuant to a tender or exchange offer, by other than Company, for all or substantially all of the issued and outstanding Company Stock; or (3) following a Change of Control; and then only as specifically permitted herein. In the event of the appointment of an Independent Fiduciary pursuant to this Trust Agreement, all functions, rights and obligations of the Trustee under this Section 5A shall be functions, rights and obligations of the Independent Fiduciary, and all references in this Section 5A to the Trustee shall be deemed to refer to such Independent Fiduciary

(b) Trustee shall provide Company with not less than 30 days prior notice that it proposes to sell any Company Stock, unless Trustee determines in good faith that such delay would cause irreparable harm to Trustee or to the Trust, in which event Trustee shall provide reasonable notice of such proposed sale. Notice shall be given by telephone, confirmed promptly by facsimile or first class mail, postage prepaid. Trustee shall specify in any event the number of shares proposed to be sold.

(c) Trustee shall make sales of Company Stock pursuant to an effective registration statement under, or an exemption (including but not limited to Rule 144) from, the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and in compliance with applicable state securities laws.

(d) Should either Company or Trustee determine in good faith, with the written advice of counsel delivered to and in form reasonably acceptable to the other party hereto, that such proposed sale could not reasonably be made pursuant to an exemption from the Securities Act, then Trustee may demand in writing that Company, at Company's option, either purchase under Section 5A(f) or register under the Securities Act under Section 5A(e), such number of shares of Company Stock held and proposed to be sold by Trustee. Company shall promptly notify Trustee by telephone, confirmed promptly by facsimile or first class mail, postage prepaid, whether it elects to proceed under Section 5A(f) or 5A(e).

(e) If Company elects registration pursuant to a demand under Section 5A(d) above, then:

(1) As soon as practicable, but in any event within 90 days after receipt of the demand from Trustee, Company shall:

(i) file with the Securities and Exchange Commission (the "Commission") a registration statement covering the shares to be sold and use its reasonable best efforts to have such registration statement filed pursuant to this Agreement declared effective as promptly as practicable. Company shall advise Trustee of the progress of such filing and of any review thereof undertaken by the Commission, and promptly notify Trustee, and confirm such advice in writing, (x) when such registration statement becomes effective, (y) when any post-effective amendment to such registration statement becomes effective and (z) of any request by the Commission for any amendment or supplement to such registration statement or any prospectus relating thereto or for additional information;

(ii) use its reasonable best efforts to register, qualify, or effect compliance not later than the effective date of any registration statement filed pursuant to this Trust Agreement, the shares of Company Stock registered thereunder under the blue sky laws of such states or the District of Columbia as the Trustee may reasonably request; provided, however, that Company shall not be obligated to qualify as a foreign corporation or as a dealer in securities or to execute or file any general consent to service of process under the laws of any such jurisdiction where it is not so subject; and, provided, further, that Company reserves the right not to register or qualify shares of Company Stock in any jurisdiction where registration or qualification of such shares would be unreasonably burdensome;

(iii) from time to time (x) after the Company has elected to satisfy a demand for sale by means of registration, immediately advise Trustee of any event or development, including a material adverse change in the financial condition, business or affairs of Company, known to Company (other than events or developments affecting market or economic conditions generally), which may have a material adverse impact on the proposed offering; and (y) within the period of effectiveness of such registration statement, advise Trustee of any event or development requiring amendment or supplement (which amendment or supplement shall be prepared with reasonable promptness by Company) of the registration statement or prospectus used in connection therewith or rendering it inadvisable to use the prospectus until it is supplemented or amended; and

(iv) furnish to Trustee such number of copies of any preliminary and final prospectuses and any amendments and supplements thereto as Trustee may reasonably request.

(2) Trustee and Company shall negotiate with an underwriter selected or approved by Company with regard to the underwriting of such requested registration. Company shall enter into an underwriting agreement in customary form with the underwriter(s) and Trustee in which Company and Trustee (to the extent applicable based only on such information as is provided in writing by Trustee) shall provide customary indemnification to such underwriter(s) and each other.

(3) Company shall have the right to terminate or withdraw any registration contemplated by it under this Section 5A(e) prior to or following the effectiveness of such registration for any reason whatsoever, provided that it shall thereupon be required to purchase shares pursuant to Section 5A(f).

(4) Trustee shall provide all such information and materials and take all such actions, furnish all such information, execute all such documents and cooperate with Company in good faith, all as may be reasonably required in order to permit Company to comply with all applicable requirements of the Commission and all other applicable laws or regulations and to obtain acceleration of the effective date of the registration statement.

(5) All expenses incurred in connection with any registration, qualification or compliance pursuant to this Trust Agreement, including without limitation, all registration, filing and qualification fees, printing and engraving expenses, fees and disbursements of counsel for Company, and expenses of any special audits or comfort letters incidental to or required by such registration, shall be borne by Company, provided, that Trustee may pay such expenses and recover same from the Trust if Company fails to pay such expenses in a timely manner.

(f) Notwithstanding any contrary provision of this Agreement, if Company advises Trustee of any delays in filing or effectiveness of more than 60 days, if Company

and Trustee are unable despite good faith efforts to agree as to registration or an exempt sale, or if a registered sale would not permit Trustee to sell Company Stock expeditiously enough to meet Trustee's good faith needs, Trustee may demand that Company purchase, or if Company elects to purchase stock pursuant to Section 5A(d), (e)(3) or (g), Company shall purchase the Company Stock desired to be sold at fair market value, which shall be the volume weighted average trading price (including only trades which would meet the time of purchases conditions under Rule 10b-18 under the Securities Exchange Act of 1934, as amended ("Rule 10b-18"), of a share of such security on the New York Stock Exchange on the day that Company receives such demand or gives notice of such election. Company and Trustee shall use their reasonable best efforts to agree as to the prompt execution, closing and delivery of shares and proceeds therefor.

(g) Until a Change of Control, Company may, on notice of a proposed sale by Trustee, whether or not exempt, elect to purchase such Company Stock from Trustee at fair market value, as defined in Section 5A(f), and with the manner, conditions, and closing of such sale to be agreed upon by Company and Trustee.

(h) Company shall be entitled to postpone the filing of any registration statement and any amendment or supplement thereto otherwise required to be prepared and filed by it, or to direct that Trustee postpone any sale or put if, at the time it receives a request for registration or sale, (i) Company determines, in its reasonable business judgment, that such filing, registration and offering, or sale or put, would materially interfere with the likely success of a proposed purchase or sale of securities by Company; or (ii) counsel for Company opines in writing that the filing of such registration statement, amendment or supplement, or sale or put would have a material adverse impact on any material ongoing or pending transaction or program of Company or any of its subsidiaries or any other circumstances; provided, that should such delays adversely affect the Trustee's ability to pay benefits as contemplated by this Trust Agreement, then Company shall advance such funds as may be reasonably needed by Trustee for such proposed pending sale.

(i) Notwithstanding any provisions above permitting sale by Trustee of Company Stock, Trustee shall, until a Change of Control or a tender or exchange offer for all or substantially all of the issued and outstanding Common Stock, limit sales, whether registered or exempt (other than sales described in Section 5A(f)), by reference to the volume limitations for issuer repurchases within Rule 10b-18; provided, that block sales may not exceed 25% of the trading volume on the New York Stock Exchange, Inc. for the 14 day period prior to such sale. Company shall provide all information reasonably required by Trustee to make determinations as to the number of shares which may be sold, and Trustee shall promptly notify Company as to all sales made other than through a registered public offering.

(j) Company and Trustee shall each cooperate in good faith and employ their reasonable best efforts in permitting and effecting any purchase or sale of Company Stock as contemplated in this Section 5A and each shall comply with all applicable laws and regulations relating to the foregoing including, without limitation, federal and state securities laws, rules and regulations issued thereunder, and any other governmental or stock exchange requirements or regulations relating thereto.

Section 6. Disposition of Income .

During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

Section 7. Accounting by Trustee .

Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between Company and Trustee. Within forty-five (45) days following the close of each calendar year and within forty-five (45) days after the removal or resignation of the Trustee, Trustee shall deliver to Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be. In addition, as of the end of each calendar month (referred to in this Trust as a "valuation date"), within ten (10) days after each such month-end, Trustee shall deliver to Company a written account setting forth the value of the Trust's assets, together with such other information as shall be agreed upon between Company and Trustee.

Section 8. Responsibility of Trustee .

(a) Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that Trustee shall incur no liability to any person for (i) any action taken pursuant to a direction, request or approval given by Company or a Trust Contractor which is contemplated by, and in conformity with, the terms of the Plan(s) or this Trust and is given in writing by Company or a Trust Contractor (other than Trustee when it acts as Trust Contractor), or (ii) the investment in, or retention of, Company Stock pursuant to the terms of this Agreement, and no such action shall be considered a breach of the fiduciary standard herein set forth. In the event of a dispute between Company or a Trust Contractor and a party, Trustee may apply to a court of competent jurisdiction to resolve the dispute.

(b) If Trustee undertakes or defends any litigation arising in connection with this Trust or a Plan (including without limitation any action to compel funding of the Trust pursuant to Section 1 hereof, to compel Company to take any action under the Trust or the Plan(s), or to determine Trustee's obligations hereunder), Trustee shall be indemnified by the Trust against Trustee's costs, expenses and liabilities (including, without limitation, reasonable attorneys' fees and expenses) relating thereto and the Trust shall be primarily liable for such payments, other than those arising from Trustee's negligence or willful misconduct. Trustee shall also be entitled to reasonable payment from the Trust for the allocation of Trustee's personnel to the investigation and defense or prosecution thereof, at Trustee's normal hourly billing rates. If such costs, expenses and liabilities are not paid from the Trust for any reason (including without limitation insufficiency of the Trust's assets to satisfy such obligations) in a reasonably timely manner, Company agrees to indemnify Trustee against such costs, expenses and liabilities. Anything in this subsection (b) to the contrary notwithstanding, Company shall indemnify and hold Trustee harmless from and against all costs, expenses and liabilities arising out of or relating to the acquisition, retention or disposition of Company Stock, except with respect to matters covered by the Trustee's indemnity to be provided under Section 5A(e)(2).

(c) Trustee may consult with legal counsel (who may also be counsel for Company generally) with respect to any of its duties or obligations hereunder.

(d) Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder.

(e) Trustee shall have, without exclusion, all powers consistent with the terms hereof conferred on trustees by applicable law, unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

(f) Notwithstanding any powers granted to Trustee pursuant to this Trust Agreement or to applicable law, Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

(g) For purposes of Section 3, the phrase "actual knowledge of the Trustee" shall mean the actual knowledge of an officer or employee of the Corporate & Institutional Services trust administration segment of the Trustee and shall not include actual knowledge of personnel in the Corporate and Institutional Services banking segment or other separate segments of the Trustee.

(h) As soon as practicable following a Change of Control (or prior to a Change of Control, but with effect from and after a Change of Control), Trustee shall appoint an entity or a person determined by the Trustee to be qualified for such appointment and capable of performing the duties appurtenant to such appointment, to serve as an independent fiduciary (the "Independent Fiduciary") under the Plans and this agreement and to exercise the rights and obligations of the Trustee set forth in sections 2(d)(4), (5), (6), and (7) and sections 5(f) and (h) and Section 5A pursuant to a written agreement between such Independent Fiduciary and the Trustee; provided, that the Trustee may, in its sole discretion, allocate such rights and obligations among more than one Independent Fiduciary, in which event (i) any reference in this Trust to the Independent Fiduciary shall be construed to be a reference to the Independent Fiduciary to which the applicable rights and obligations have been allocated, and (ii) no Independent Fiduciary shall have any responsibility for, or liability in respect of, obligations of the Trustee not so allocated to it. In such capacity, the Independent Fiduciary shall have all of the rights and obligations of the Trustee under this Trust Agreement necessary or proper to the performance of its duties hereunder, including, without limitation, those rights and obligations set forth in this Section 8. The Independent Fiduciary may perform its duties and functions under this Trust Agreement directly or may delegate such duties and functions to one or more Trust Contractors, other than the

determinations of claims for benefits under the Plans or appeals therefrom, which shall be performed by the Independent Fiduciary directly. In addition, the Independent Fiduciary shall have the sole responsibility to appoint and remove Investment Managers. The Independent Fiduciary shall certify to the Trustee the names of all persons authorized to act on its behalf. In such event, the Trustee may conclusively rely upon the determinations of and directions from the Independent Fiduciary and shall be responsible only for the prudent selection and retention of such entity or person to act as Independent Fiduciary hereunder. All fees and expenses of such Independent Fiduciary shall be paid from the assets of the Trust unless paid by the Company. In the event that an Independent Fiduciary has not been appointed effective as of the occurrence of a Change of Control, the Trustee shall, in addition to its capacity as Trustee, serve as the Independent Fiduciary until the effectiveness of the appointment of the Independent Fiduciary.

Section 9. Compensation and Expenses of Trustee .

All administrative and Trustee's fees as agreed upon between Trustee and Company and reasonable expenses actually incurred by the Trustee in performing its duties hereunder including the fees and expenses of any third party which provides services contemplated herein or in the Plan(s) shall be paid by Trustee from the assets of the Trust and, until so paid, shall constitute a lien on the assets of the Trust. If not so paid, the fees and expenses shall be paid by Company. In addition, with respect to any third party engaged by the Company to provide services, including but not limited to, actuarial, accounting, recordkeeping, or legal services, for the Trust or the Plan(s), the Company shall direct the Trustee to pay such third party's reasonable administrative expenses (including reasonable compensation) from the Trust to the extent not paid by Company.

Section 10. Resignation and Removal of Trustee .

(a) Trustee may resign at any time by written notice to Company, which shall be effective sixty (60) days after receipt of such notice unless Company and Trustee agree otherwise; provided that in no event shall any such resignation take effect prior to the appointment of a successor Trustee.

(b) Trustee may be removed by Company on sixty (60) days notice or upon shorter notice accepted by Trustee.

(c) Upon a Change of Control, as defined herein, Trustee may not be removed by Company for one (1) year. Additionally, after the expiration of the one (1) year period following a Change of Control, Trustee may be removed by Company only if Company first obtains the express written consent to such removal of more than one half of a combination of the participants and beneficiaries of deceased participants in the Plan(s).

(d) If Trustee resigns or is removed within one (1) year of a Change of Control, as defined herein, Trustee shall select a successor Trustee in accordance with the provisions of Section 11(b) hereof prior to the effective date of Trustee's resignation or removal. Additionally, if Trustee resigns or is removed after expiration of the one (1) year period following a Change of Control, Company may select a successor Trustee in accordance with the provisions of Section 11(b) hereof if it shall first obtain the express written consent to the appointment of the proposed successor of more than one half of a combination of the participants and beneficiaries of deceased participants in the Plan(s). If Company fails to so appoint a successor Trustee, Trustee shall select a successor Trustee. Upon the appointment and acceptance by, and transfer of assets to, a successor Trustee, Trustee shall have no further responsibilities under this Trust Agreement.

(e) Upon resignation or removal of Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within sixty (60) days after receipt of notice of resignation, removal or transfer, unless Company extends the time limit.

(f) If Trustee resigns or is removed, a successor shall be appointed, in accordance with Section 11 hereof, by the effective date of resignation or removal under paragraph (a) of this section. If no such appointment has been made, Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of Trustee in connection with the proceeding shall be allowed and charged to the Trust as administrative expenses of the Trust.

Section 11. Appointment of Successor .

(a) If Trustee resigns or is removed in accordance with Section 10(a) or (b) or (c) hereof, Company may, subject to Section 10(d), appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state or federal law, as a successor to replace Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, who shall have all the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by Company or the successor Trustee to evidence the transfer.

(b) If Trustee resigns or is removed pursuant to the provisions of Section 10(a), (b), (c) or (d) hereof and selects a successor Trustee pursuant to Section 10(d) hereof, Trustee may appoint any third party such as a bank trust department or other party that may be granted corporate trustee powers under state or federal law. The appointment of a successor Trustee shall be effective when accepted in writing by the new Trustee. The new Trustee shall have all the rights and powers of the former Trustee, including ownership rights in Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the successor Trustee to evidence the transfer.

(c) A former Trustee shall prepare and deliver to Company and to the successor Trustee a final accounting unless Company waives Company's right to such accounting, and such accounting shall be effective through the date of the former Trustee's transfer of all assets to its successor. The successor Trustee need not examine the records and acts of any prior Trustee unless requested to do so by Company (and, after a Change of Control, unless the successor Trustee in addition concludes that there is a reasonable basis for such request by Company) and may retain or dispose of existing Trust assets, subject to Sections 7 and 8 hereof. Subject to the foregoing, the successor Trustee shall not be responsible for and Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee. The compensation arrangement for the successor Trustee shall be reasonable in relation to the services to be performed by the successor Trustee.

Section 12. Amendment or Termination .

(a) This Trust Agreement (including Appendix A hereto) may be amended by a written instrument executed by Trustee and Company. Notwithstanding the foregoing, (i) no such amendment shall conflict with the terms of the Plan(s) as then in effect or shall make the Trust revocable after it has become irrevocable in accordance with Section 1(b) hereof and (ii) the duties and responsibilities of Trustee shall not be increased without Trustee's written consent.

(1) Furthermore, notwithstanding anything to the contrary in this Trust Agreement (except as otherwise provided in this Section 12), (i) prior to a Change of Control, no amendment shall be made to Section 1(d) through (h), Section 2, Section 4, Section 5(h), Section 10(c), Section 10(d), this Section 12(a), Section 13(d), Section 13(g), Section 13(j), and Section 13(k), and no deletion shall be made in Appendix A, without the prior written consent of more than one half of a combination of the participants and beneficiaries of deceased participants in the Plan(s) unless such amendment would not, in the opinion of counsel, have a material and adverse effect on the rights or interests of such participants or beneficiaries or procedures for distribution of benefits to participants or beneficiaries; and (ii) following a Change of Control, no amendment shall be made to any provision of this Trust Agreement (including Appendix A hereto) without the prior written consent of more than one half of a combination of the participants and beneficiaries of deceased participants in the Plan(s) unless such amendment would not, in the opinion of counsel, have a material and adverse effect on the rights or interests of such participants or beneficiaries or procedures for distribution of benefits to participants or beneficiaries.

(2) The limitations contained in Section 12(a)(1) shall not apply with respect to any amendment which is reasonably necessary, in the opinion of counsel, to preserve the status of the Trust as a grantor trust and the status of the Plan(s) as unfunded for federal income tax purposes and for purposes of the Employee Retirement Income Security Act of 1974, as amended, or to guard against an adverse impact on Plan participants or beneficiaries and which, in the opinion of counsel, is drafted primarily to preserve such status or to reduce or eliminate such adverse impact on such person or persons.

(3) In each instance in which an opinion of counsel is contemplated in this Section 12(a) prior to a Change of Control, such opinion shall be in writing and delivered to Trustee, rendered by a nationally recognized law firm selected by Company, and in each instance in which an opinion of counsel is contemplated in this Section 12(a) after a Change of Control, such opinion shall be in writing and delivered to Trustee, rendered by a nationally recognized law firm selected by the Independent Fiduciary. Trustee may rely on all such opinions and determinations.

(b) The Trust shall not terminate until the date on which Plan participants and their beneficiaries are no longer entitled to benefits from Company pursuant to the terms of the Plan(s). Upon termination of the Trust any assets remaining in the Trust shall be returned to Company.

(c) Upon written approval of participants or beneficiaries entitled to payment of benefits pursuant to the terms of the Plan(s), Company may terminate this Trust prior to the time all benefit payments under the Plan(s) have been made. All assets in the Trust at termination shall be returned to Company.

(d) Trustee may rely for purposes of this Section 12 on a certificate furnished by Company prior to a Change of Control, and by a Trust Contractor after a Change of Control, (i) with respect to any amendment requiring the prior written consent of more than one half of the participants and beneficiaries in the Plan(s) pursuant to subsection (a) of this Section 12, that such consent has been obtained, (ii) with respect to subsection (b) of this Section 12, that Plan participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plan(s), and (iii) with respect to subsection (c) of this Section 12, that the written approval of participants or beneficiaries entitled to payment of benefits pursuant to the terms of the Plan(s) has been obtained.

Section 13. Miscellaneous .

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to Plan participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Trust Agreement shall be governed by and construed in accordance with the laws of New York.

(d) For purposes of this Trust, Change of Control shall mean: (i) any "person" (as such term is defined in the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of Company or a corporation owned directly or indirectly by the shareholders of Company in substantially the same proportions as their ownership of stock of Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of Company representing 20% or more of the total voting power represented by Company's then outstanding voting securities; or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors of the Company or nomination for election by Company's shareholders was approved by a vote of at least two-thirds of the directors who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof.

(e)(1) After the execution of this Trust Agreement, Company shall promptly file with Trustee, and following the appointment of a Trust Contractor, Company shall promptly file with the Trust Contractor, a certified list of the names and specimen signatures of the officers of Company and any delegate authorized to act for it. Unless Company notifies Trustee to the contrary, Company shall act through its Trust Asset Management Committee (or other person or committee to which the Board of Directors of the Company delegates such responsibility) or any person who such Committee (or other person or committee) authorizes in writing to act on its behalf or any other person who is authorized to act on Company's behalf by a resolution of Company's Board of Directors. Company shall promptly notify Trustee and the Trust Contractor, if applicable, of the addition or deletion of any person's name to or from such list, respectively. Until receipt by Trustee and/or the Trust Contractor of notice that any person is no longer authorized so to act, Trustee or the Trust Contractor may continue to rely on the authority of the person. All certifications, notices and directions by any such person or persons to Trustee or the Trust Contractor shall be in writing signed by such person or persons.

Trustee and the Trust Contractor may rely on any certification, notice or direction of Company that the Trustee or the Trust Contractor reasonably believes to have been signed by a duly authorized officer or agent of Company. Trustee and the Trust Contractor shall have no responsibility for acting or not acting in reliance upon any notification reasonably believed by Trustee or the Trust Contractor to have been signed by a duly authorized officer or agent of Company.

(e)(2) After the engagement of a Trust Contractor (other than Trustee) and/or an Independent Fiduciary, the Trust Contractor and/or Independent Fiduciary shall promptly file with Trustee a certified list of the names and specimen signatures of the officers of the Trust Contractor and/or Independent Fiduciary and any delegate(s) authorized to act for it. Each Trust Contractor and/or the Independent Fiduciary shall promptly notify Trustee of the addition or deletion of any person's name to or from such list. Until receipt by Trustee of notice that any person is no longer authorized so to act, Trustee may continue to rely on the authority of the person. All certifications, notices and directions by any such person or persons to Trustee shall be in writing signed by such person or persons. Trustee may rely on any such certification, notice or direction of the Trust Contractor and/or Independent Fiduciary that Trustee reasonably believes to have been signed by or on behalf of a duly authorized officer or agent of the Trust Contractor and/or Independent Fiduciary. Trustee shall have no responsibility for acting or not acting in reliance upon any notification reasonably believed by the Trustee to have been signed by a duly authorized officer or agent of the Trust Contractor and/or Independent Fiduciary.

(f) Neither the gender nor the number (singular or plural) of any word shall be construed to exclude another gender or number when a different gender or number would be appropriate.

(g)(1) This Trust Agreement shall be binding upon and inure to the benefit of any successor(s) to Company or its business or a portion thereof, which assumes Company obligations under the Plans as a result of merger, consolidation, reorganization, spin-off, division, transfer of assets or otherwise (hereinafter referred to as a "corporate transaction") and any subsequent successor thereto which assumes Company obligations under the Plan(s). All references in this Trust Agreement to "Company" shall include all such successors. In the event of any such corporate transaction, the successor to Company or its business or subsequent successor thereto shall promptly notify Trustee in writing of its successorship. In no event shall any such corporate transaction suspend or delay the payment of benefits to Plan participants or beneficiaries hereunder.

(g)(2) Except a provided in Section 13(g)(3), Company shall remain liable for the payment of any Plan benefits attributable to deferrals made under plans of deferred compensation prior to the effective date of any such corporate transaction or accrued under any supplemental retirement or pension plan prior to the effective date of any such corporate transaction, to the extent of the then assets of the Trust, if such payments are proper but not timely made by a successor to Company or its business or any subsequent successor thereto, and the assets of the Trust shall be available to make such payments pursuant to Section 2. The obligation to make any such payments hereunder shall arise only after the affected Plan participant or beneficiary has exhausted all claims and review procedures property imposed under the terms of the Plan. The Trust shall be subrogated, to the extent of any payment made pursuant to this Section 13 (g)(2) to a Plan participant or beneficiary, to all rights and remedies of such Plan participant or beneficiary, and Trustee shall be entitled to sue the nonpaying successor to Company in the name of the Plan participant or beneficiary, but Trustee shall not be required to take any such action unless there are sufficient assets in the Trust to cover the expense thereof. Entitlement to any payment hereunder is expressly conditioned upon the reasonable assistance and cooperation of the Plan participant or beneficiary in pursuing such rights and remedies.

(g)(3) The provisions of Section 13(g)(2) shall be inapplicable to any Plan benefits payable following any corporate transaction with respect to which Company shall have contracted with its successor or otherwise provided for the establishment of a trust providing substantially similar rights and protections to Plan participants and beneficiaries as are provided herein and (i) which involves a Disposition, if there is established, or there is imposed on Company's successor an obligation to establish (or there is otherwise provided with respect to affected Plan participants and beneficiaries), with respect to the Transferred Benefit an irrevocable trust which, in the opinion of counsel, meets the requirements for a "rabbi trust" as set forth in the model grantor trust agreement contained in Rev. Proc. 92-64, 1992 o 2 C. B. 422, or any successor to such Revenue Procedure, with a bank as trustee, and which when established (or, if already in existence, at the effective date of such corporate transaction) is funded to at least the funding level of this Trust, or (ii) which does not involve a Disposition, if (A) there is established, or there is imposed on Company's successor an obligation to establish, with respect to the Transferred Benefit a trust which, in the opinion of counsel, has terms substantially similar to any one of the Trusts under Executive Benefit Plan(s) established by Company or a

subsidiary on or before the date hereof, as such trusts are then in effect, with a bank as trustee, and which when established is funded to at least the funding level of this Trust; or (B) the Transferred Benefit becomes covered, as of the effective date of such corporate transaction "funding level" (as such term is used herein), by any trust described in, or previously established pursuant to, (A) above and which trust, if such transfer takes place on or after a Change of Control has occurred, is funded (after taking into account the Transferred Benefit) to at least the funding level of this Trust. The determination of whether the requirements of the preceding sentence have been satisfied shall be made by Company; provided, however, that following the engagement of a Trust Contractor, such determinations shall be made by Trust Contractor. Trustee may rely on the accuracy of all such determinations.

(h) This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one Agreement.

(i) Communications to Trustee shall be sent to THE NORTHERN TRUST COMPANY, 50 S. LaSalle Street, Chicago, Illinois 60675, ATTENTION: Ms. Anita Nikolov, Vice President, or to such other address as Trustee may specify in writing. No communication shall be binding upon Trustee until it is received by Trustee. Communications to Company, any Trust Contractor and/or the Independent Fiduciary shall be sent to the principal offices of Company, such Trust Contractor and/or the Independent Fiduciary, as the case may be, or to such other address as any of them may specify in writing.

(j) In the event the participants and beneficiaries in one or more of the Plan(s) are determined generally to be subject to federal income tax on any amount in the Trust prior to the time of payment hereunder, the entire amount determined to be so taxable shall be distributed by Trustee to each affected participant or beneficiary. Company may, at its option, make such payments directly to affected participants and beneficiaries. An amount shall be determined to be subject to federal income tax upon the earliest of: (a) a final determination by the United States Internal Revenue Service addressed to a participant or beneficiary which is not appealed to the courts; (b) a final determination by the United States Tax Court or any other federal court affirming any such determination by the Internal Revenue Service; or (c) an opinion by counsel for Company reasonably acceptable to Trustee addressed to Company and Trustee, that, by reason of the Treasury Regulations, amendments to the Internal Revenue Code, published Internal Revenue Service rulings, court decisions or other substantial precedent, amounts hereunder are generally subject to federal income tax prior to payment; provided, that following a Change of Control, only an opinion by counsel selected by the Trust Contractor may be accepted by Trustee for purposes of (c). Company shall undertake at its sole expense to defend any tax claims described herein which are asserted by the Internal Revenue Service against any participant or beneficiary and which it determines would affect participants or beneficiaries generally, including attorneys' fees and costs of appeal, and shall have the sole authority to determine whether or not to appeal any determination made by the Internal Revenue Service or by a lower court. Company also agrees to reimburse any participant or beneficiary for any interest or penalties in respect of tax claims hereunder which it determines would affect participants or beneficiaries generally, upon receipt of documentation of same. Any distributions from the Trust to a participant or beneficiary under this Section 13(j) (other than reimbursements of interest or penalties referred to in the preceding sentence) shall reduce the benefits payable to such participant and/or beneficiary under the Plan(s). Notwithstanding anything in this Section 13(j) to the contrary, no distributions shall be made pursuant to this Section 13(j) unless they are permitted to be made by Section 409A of the Code and the regulations thereunder without penalty to the participant.

(k) In the event that Company shall fail to satisfy any obligation of Company to a Plan participant or beneficiary under this Trust Agreement, or in one or more of the Plan(s), after reasonable notice and demand with respect thereto, and one or more participants or beneficiaries obtains a final determination by a court of competent jurisdiction that Company has so failed, such participant(s) or beneficiary(ies) shall be indemnified by the Trust against reasonable and appropriate costs and expenses (including without limitation reasonable attorneys' fees and expenses) relating thereto and the Trust shall be primarily liable for such payments. Interest on any Plan benefit payments which such court determines have been delayed to the extent interest or similar payments in an equal or greater amount are not provided in the Plan or by the court or otherwise shall also be paid from the assets of the Trust. Such interest shall be calculated using a rate of interest equal to the rate of interest on ten (10) year United States Treasury obligations, as determined on the first day of each calendar quarter, compounded quarterly. If such costs, expenses and interest are not paid from the Trust for any reason (including without limitation insufficiency of the Trust's assets to satisfy such obligations) in a reasonably timely manner, such participant(s) or beneficiary(ies) may obtain payment from Company.

(l) Nothing herein shall be construed as restricting or limiting in any way amendment of the Plan(s) in accordance with the terms of the Plan(s).

(m) Any other provisions of this Trust Agreement to the contrary notwithstanding, this Trust shall terminate no later than the twenty-first anniversary of the date of death of the survivor from among a class consisting of all of the descendants of the late Joseph P. Kennedy, the former Ambassador to the Court of Saint James, who are living on the date of the establishment of the Trust and, if the Trust is still in existence on such anniversary date, Trustee shall dispose of the Trust as Company shall direct.

(n) In case of any conflict or inconsistency between the terms of this Trust Agreement and any Plan, the terms of this Trust Agreement shall control.

Section 14. Effective Date .

The effective date of this Trust Agreement shall be the date of its execution set forth on page 1 of the Trust Agreement.

-- SIGNATURES FOLLOW ON NEXT PAGE --

IN WITNESS WHEREOF, the parties hereto have caused the Trust Agreement to be duly executed and their respective corporate seals to be hereto affixed on the date set forth on page 1 of the Trust Agreement.

BELLSOUTH CORPORATION

By: /s/ Mark E. Droege
Title: Chairman, Trust Asset Management Committee

(CORPORATE SEAL)

ATTEST: Marcy A. Bass

Title: Assistant Corporate Secretary

THE NORTHERN TRUST COMPANY, as Trustee

By: /s/ Anita L. Nikolov
Title: Vice President

(CORPORATE SEAL)

ATTEST: Robert F. Draths Jr.

Title: Assistant Secretary

APPENDIX A

BellSouth Nonqualified Deferred Compensation Plan

BellSouth Corporation Directors Retirement Plan

BellSouth Corporation Deferred Compensation Plan for Non-Employee Directors

BellSouth Corporation Directors' Compensation Deferral Plan

**BELLSOUTH NON-EMPLOYEE DIRECTORS**
**CHARITABLE CONTRIBUTION PROGRAM**

*Charitable Gift Program*
This program, approved by the BellSouth Board of Directors on February 24, 1992, provides for charitable contributions of up to $1,000,000, paid by BellSouth Corporation as a part of its overall charitable giving program, to eligible institutions designated by each participating director in equal annual increments over a five year period following retirement (or death, if earlier) from the Board.

*Eligibility to Participate*
Each outside director of BellSouth Corporation (the "Company") is eligible to participate in the program after completing five years of service on the Board of BellSouth. In calculating tenure for purposes of the program, directors shall be given credit for service on the board of a subsidiary which participates in the BellSouth Corporation Directors Retirement Plan. Total service shall be rounded to the nearest whole year. The amount of the charitable contribution to be made to eligible institutions designated by a director is prorated for directors with between five and ten years of service, beginning at $500,000 for a director with five years of service and increasing $100,000 a year with the full amount available after completing ten years of service.

*Designation of Recipients*
Each participating director may designate an eligible institution or institutions (with the minimum level of gift at $100,000) at any time after becoming eligible to participate in the program, which institution shall be notified by the Company or the director of its selection. The director may change the designation at any time prior to the time the first installment is payable and the Company will so notify the institution. The Company's Corporate Affairs organization will provide assistance to the director, if desired, in selecting an institution and/or in negotiating any terms or conditions as to the contribution.

Should a participating director die prior to designation a recipient(s), the designation shall be made by the surviving spouse, if any; next, by the personal representative of the estate; failing either within six months of the date of the director's death the contribution shall be made to the BellSouth Foundation, Inc.

Publicity as to selection of the recipient shall be coordinated with the Company.

*Eligible Institutions*
Charitable contributions are limited to institutions which are eligible for contributions under the Company's matching gift program as in effect from time to time or in any successor program designated for this purpose. A director shall not designate as a recipient any institution from which the director or the director's family will receive property or an economic benefit as a result of the Company's contribution under this program or with respect to which such contribution would serve to satisfy any existing or future charitable pledge made by the director or member of the director's family.

*Charitable Contributions*
Charitable contributions shall be made to the eligible institution or institutions designated by a participating director in five equal annual installments. The first installment is payable upon the director's retirement under the BellSouth Corporation Non-employee Directors Retirement Plan, attainment of age 55 if later, or death if earlier. The following installments are payable at the beginning of the four succeeding years. No contributions shall be made to institutions designated by a director if the service of the director terminates by reason other than death or retirement under such Retirement Plan or if the director fails to be or remain in good standing.

No institution shall have an enforceable right to receive a charitable contribution under the program. If a designated recipient institution fails to continue to qualify as an eligible institution, a successor recipient institution shall be designated as otherwise provided above.

*Financing*
Charitable contribution payments shall be made by the Company from its general assets. The Company may purchase insurance on the lives of outside directors as a means to recoup the costs of the Program. However, no such insurance or other Company asset will be segregated for the sole purpose of making charitable contribution payments or serve to secure any such payment obligation.

*Administration*
The Board of Directors reserves the right to amend the program in any respect or to terminate the program with respect to directors prior to their retirement. The Nominating and Compensation Committee of the Board of Directors shall be responsible for all determinations that may arise under the program and shall provide for the administration of the program.

**FIRST AMENDMENT**
**TO THE**
**BELLSOUTH NON-EMPLOYEE DIRECTORS**
**CHARITABLE CONTRIBUTION PROGRAM**

Effective January 27, 1997

THIS FIRST AMENDMENT is made to the Bellsouth Non-Employee Directors Charitable Contribution Program (the "Plan"). Mr. Codina recommended that the following resolutions be approved.

Whereupon, on motion, it was

RESOLVED: that the BellSouth Corporation Nonemployee Director Charitable Contribution Program is hereby terminated with respect to, and shall not be available to, members of the Board of Directors who are initially elected to the Board after January 27, 1997; and

FURTHER RESOLVED: that the Plan shall continue to be effective with respect to current members of the Board of Directors, and is hereby amended to provide that the payout by the Company shall be made in a lump sum at the time of the Director's retirement (or death, if earlier) and shall no longer be spread over five years.

**SECOND AMENDMENT**
**TO THE**
**BELLSOUTH NON-EMPLOYEE DIRECTORS**
**CHARITABLE CONTRIBUTION PROGRAM**

Effective February 25, 2002

THIS SECOND AMENDMENT is made to the Bellsouth Non-Employee Directors Charitable Contribution Program (the "Plan"). The Committee has reviewed and recommends Board approval of a recommendation that the Plan be amended to provide for the acceleration of remaining payments under the Plan.

Whereupon, on motion, it was

RESOLVED: that the Directors Charitable Contribution Program is hereby amended to provide for the acceleration of payments under the Plan, effective January 1, 2003, to complete donation payments by 2008.

**BELLSOUTH COMPENSATION DEFERRAL PLAN**
**(As Amended and Restated Effective as of January 1, 2005)**

Effective as of the 1st day of January, 1997, BellSouth Corporation ("BellSouth") established the BellSouth Compensation Deferral Plan (the "Plan"), and the Plan was subsequently amended from time to time. The Plan is now amended and restated effective as of January 1, 2005, and as so amended and restated is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, with respect to all benefits under the Plan that are subject to Section 409A. Also, the Plan as restated, among other things, provides that no further elections to defer compensation may be made under the Plan after December 31, 2006, and coordinates Plan administration provisions applicable after the planned merger of BellSouth and AT&T Inc. with provisions of BellSouth's Rabbi Trust Agreements.

## BACKGROUND AND PURPOSE

A. **Goal**. BellSouth desires to provide its designated key management employees, and those of its affiliated companies that participate in the Plan, with an opportunity (i) to defer the receipt and income taxation of a portion of such employees' compensation; and (ii) to receive an investment return on those deferred amounts based on the return of BellSouth stock, an indexed rate of interest, or a combination of the two.

B. **Purpose**. The purpose of the Plan is to set forth the terms and conditions pursuant to which these deferrals may be made and deemed invested and to describe the nature and extent of the employees' rights to their deferred amounts.

C. **Type of Plan**. The Plan constitutes an unfunded, nonqualified deferred compensation plan that benefits certain designated employees who are within a select group of key management or highly compensated employees. Each Participating Company alone has the obligation to pay amounts payable under this Plan to its Plan Participants, and such payments are not an obligation of any other Participating Company.

D. **No Deferrals after 2006.** Notwithstanding anything to the contrary herein, no Deferral Elections will be permitted under the Plan after December 31, 2006.

## ARTICLE I
## DEFINITIONS

For purposes of the Plan, each of the following terms, when used with an initial capital letter, shall have the meaning set forth below unless a different meaning plainly is required by the context.

1.1 **" Account "** shall mean, with respect to a Participant or Beneficiary, the total dollar amount or value evidenced by the last balance posted in accordance with the terms of the Plan to the account record established for such Participant or Beneficiary with respect to the Deferral Contributions of such Participant for any Plan Year.

1.2 **" Affiliate "** shall mean at any time any corporation, joint venture or partnership in which BellSouth owns directly or indirectly, (i) with respect to a corporation, stock possessing at least ten percent (10%) of the total combined voting power of all classes of stock in the corporation, or (ii) in the case of a joint venture or partnership, a ten percent (10%) or greater interest in the capital or profits of such joint venture or partnership.

1.3 **" Base Salary "** shall mean, with respect to each Eligible Employee for a specified Plan Year, the gross regular, periodic base salary earned by the Eligible Employee during such Plan Year, including any of the Eligible Employee's own before-tax and after-tax contributions to, or deferrals under, any Code Section 401(k), Code Section 125, nonqualified deferred compensation or other employee benefit plan or program, maintained by a Participating Company from time to time, but excluding any contributions or benefits paid under any such plan or program by a Participating Company.

1.4 **" BellSouth "** shall mean BellSouth Corporation, a Georgia corporation, or any successor entity.

1.5 **" Beneficiary "** shall mean, with respect to a Participant, the person(s) determined in accordance with Section 5.5 to receive any death benefits that may be payable under the Plan upon the death of the Participant.

1.6 **" Board "** shall mean the Board of Directors of BellSouth.

1.7 **" Business Day "** shall mean each day on which the New York Stock Exchange operates and is open to the public for trading.

1.8 **" Code "** shall mean the Internal Revenue Code of 1986, as amended.

1.9 **" Company Stock "** shall mean the $1.00 par value per share voting common stock of BellSouth; provided that, after the Merger, "Company Stock" shall mean the $1.00 par value per share voting common stock of AT&T Inc. 58149.19

1.10 **" Compensation "** shall mean, for any Plan Year, the Participant's annualized Base Salary rate as in effect on November 15 preceding the beginning of the Plan Year. Notwithstanding the foregoing, the Plan Administrator, in its sole discretion, may specify a date or dates other than November 15 on which a Participant's annualized Base Salary rate for a Plan Year is to be determined. For any Participant employed by a Participating Company whose compensation structure does not readily fit this definition, "Compensation" shall mean cash compensation as defined by the Plan Administrator.

1.11 **" Credited Interest Rate "** shall mean, for each Plan Year, the rate of return equal to Moody's Monthly Average of Yields of Aa Corporate Bonds, as published by Moody's Investors Service, Inc., for the month of July immediately preceding such Plan Year. If such rate (or any alternative rate described in this sentence) is at any time no longer available, the Plan Administrator shall designate an alternative rate which in the Plan Administrator's reasonable judgment is generally comparable to the rate described in the preceding sentence, and such alternative rate shall thereafter be the Credited Interest Rate.

1.12 **" Deferral Contributions "** shall mean, for each Plan Year, that portion of a Participant's Base Salary deferred under the Plan pursuant to Section 3.2.

1.13 **" Deferral Election "** shall mean an election form provided by the Plan Administrator on which an Eligible Employee may elect to defer under the Plan a portion of such Eligible Employee's Base Salary.

1.14 **" Effective Date "** shall mean January 1, 2005, the date as of which this most recent amendment and restatement of the Plan is effective, except to the extent that the Plan expressly provides a different effective date with respect to specific Plan provisions.

1.15 **" Election Deadline "** shall mean the November 30 (or if November 30 is not a Business Day, the last Business Day immediately preceding November 30) immediately preceding the first day of a Plan Year. Notwithstanding the foregoing, with the approval of the Plan Administrator, "Election Deadline" may mean the December 31 (or if December 31 is not a Business Day, the last Business Day immediately preceding December 31) immediately preceding the first day of such Plan Year.

1.16 **" Election Package "** shall mean a package consisting of a Deferral Election, an Investment Election and such other forms and documents distributed to such Eligible Employee by the Plan Administrator for the purpose of allowing such Eligible Employee to elect to actively participate in the Plan for a Plan Year.

1.17 **" Eligible Employee "** shall mean, for each Plan Year, each management employee of a Participating Company who (i) is a member of a select group of highly compensated or key management employees, and (ii) is a Senior Manager for the Plan Year, or is otherwise designated by the Plan Administrator as eligible to participate in the Plan for such Plan Year.

1.18 **" ERISA "** shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.19 **" Interest Income Option "** shall mean the Investment Option described in Section 4.4, pursuant to which a Participant's deemed investment earnings are determined on the basis of the Credited Interest Rate.

1.20 **" Interest Income Subaccount "** shall mean a bookkeeping subaccount reflecting that portion of a Participant's Account for each Plan Year which is deemed to be invested in the Interest Income Option.

1.21 **" Investment Election "** shall mean an in such form as is provided by the Plan Administrator on which an Eligible Employee may elect to have Deferral Contributions for a Plan Year (and all investment earnings attributable thereto) deemed invested in either the Stock Unit Option and/or the Interest Income Option.

1.22 **" Investment Options "** shall mean the Stock Unit Option and the Interest Income Option.

1.23 " **Merger** " shall mean the planned merger, pursuant to the Agreement and Plan of Merger dated as of March 4, 2006 (the "Merger Agreement"), by and among BellSouth, AT&T Inc. ("AT&T"), and ABC Consolidation Corp., a Georgia corporation and wholly-owned subsidiary of AT&T ("Merger Sub"), pursuant to which, at the "Effective Time" (as defined in the Merger Agreement), BellSouth will be merged with and into the Merger Sub.

1.24 **" Participant "** shall mean any person participating in the Plan pursuant to the provisions of Article II, and shall include executive officers of BellSouth who participated in the Plan for Plan Years prior to 2002, for so long as each such individual has an Account hereunder.

1.25 **" Participating Company "** shall mean BellSouth and each Affiliate which, by action of its board of directors (or equivalent governing body), adopts the Plan as a Participating Company with the approval of the Plan Administrator. Such entities shall be listed on Exhibit A hereto, which shall be updated from time to time to reflect the addition of new Participating Companies, and the effective dates of their participation, and the deletion of any entities which are no longer Participating Companies.

1.26 **" Plan "** shall mean the BellSouth Compensation Deferral Plan, as contained herein and all amendments hereto.

1.27 **" Plan Administrator "** shall mean the person(s) determined under Section 8.4 to the extent said Section is applicable, and otherwise shall mean the Chief Executive Officer of BellSouth and any individual or committee the Chief Executive Officer designates to act on his or her behalf with respect to any or all of the Chief Executive Officer's responsibilities hereunder; provided, the Board may designate any other person or committee to serve in lieu of the Chief Executive Officer as the Plan Administrator with respect to any or all of the administrative responsibilities hereunder.

1.28 **" Plan Year "** shall mean the calendar year.

1.29 " **Rabbi Trust Agreements** " shall mean each and all of the: (i) BellSouth Corporation Trust Under Executive Benefit Plan(s); (ii) BellSouth Telecommunications, Inc. Trust Under Executive Benefit Plan(s); (iii) BellSouth Enterprises, Inc. Trust Under Executive Benefit Plan(s); (iv) BellSouth Corporation Trust Under Executive Benefit Plan(s) for Mobile Systems Executives; (v) BellSouth Corporation Trust Under Executive Benefit Plan(s) for Advertising and Publishing Executives; and (vi) Trust Under Executive Benefit Plan (s) for Certain BellSouth Companies; in each case, as amended from time to time.

1.30 " **Section 409A** " shall mean Code Section 409A and the Treasury regulations or other authoritative guidance issued thereunder. Whenever the terms "subject to Section 409A" or "to the extent permitted by Section 409A" (or any such similar reference so as to indicate that a Plan provision is subject to Section 409A) are used, such terms shall be interpreted to mean that the applicable Plan provision shall be effective only if and to the extent such provision would not trigger penalty taxes or interest under Section 409A.

1.31 **" Senior Manager "** shall mean an employee of a Participating Company who, for purposes of this Plan for a Plan Year, is designated by the Plan Administrator as a "senior manager."

1.32 **" Short Term Bonus Plan "** shall mean the annual bonus plan(s) or program(s) in which one or more Senior Managers participate for a Plan Year, in all cases as determined by the Plan Administrator.

1.33 **" Stock Unit "** shall mean an accounting entry that represents an unsecured obligation of a Participating Company to pay to a Participant an amount which is based on the fair market value of one share of Company Stock as set forth herein. A Stock Unit shall not carry any voting, dividend or other similar rights and shall not constitute an option or any other right to acquire any equity securities of BellSouth.

1.34 **" Stock Unit Option "** shall mean the Investment Option described in Section 4.3, pursuant to which a Participant's deemed investment earnings are determined by the rate of return applicable to Stock Units.

1.35 **" Stock Unit Subaccount "** shall mean a bookkeeping subaccount reflecting that portion of a Participant's Account for each Plan Year which is deemed to be invested in the Stock Unit Option.

1.36 **" Valuation Date "** shall mean December 31 (or, if December 31 is not a Business Day, the last Business Day immediately preceding December 31), and each other day declared by the Plan Administrator to be a Valuation Date.

## ARTICLE II
## ELIGIBILITY AND PARTICIPATION

2.1 **Annual Participation** . Each individual who is an Eligible Employee as of the first day of a Plan Year and is employed by a Participating Company before the beginning of such Plan Year shall be eligible to defer a portion of such Eligible Employee's Base Salary, and thereby to actively participate in the Plan for such Plan Year. Such individual's participation shall become effective as of the first day of such Plan Year, provided that the Eligible Employee properly and timely completes the election procedures described in Section 2.2.

2.2 **Election Procedures** . Each Eligible Employee may elect to defer a portion of such Eligible Employee's Base Salary, and thereby become an active Participant for a Plan Year, by delivering a completed Deferral Election and an Investment Election to the Plan Administrator by the applicable Election Deadline for such Plan Year. Such an election shall be effective only if the individual is actively employed as an Eligible Employee at the time the individual delivers the completed Deferral Election and Investment Election to the Plan Administrator. The Plan Administrator may also require the Eligible Employee to complete other forms and provide other data, as a condition of participation in the Plan.

2.3 **Cessation of Eligibility** . An Eligible Employee's active participation in the Plan shall terminate, and the Eligible Employee shall not be eligible to make any additional Deferral Contributions, for any portion of a Plan Year following the date the Eligible Employee's employment with BellSouth and all Participating Companies terminates (unless such individual is reemployed as an Eligible Employee later in such Plan Year). In addition, an individual who actively participated in the Plan during prior Plan Years but who is not an Eligible Employee or does not complete the election procedures, for a subsequent Plan Year, shall cease active participation in the Plan for such subsequent Plan Year. If an individual's active participation in the Plan ends, such individual shall remain an inactive Participant in the Plan until the earlier of (i) the date the full amount of such individual's

Accounts is distributed from the Plan, or (ii) the date the individual again becomes an Eligible Employee and recommences active participation in the Plan. During the period of time that an individual is an inactive Participant in the Plan, such individual's Accounts shall continue to be credited with earnings as provided in the Plan.

2.4 **Limitations on New Elections**. Notwithstanding anything to the contrary herein, (i) after December 31, 2006, no Deferral Elections will be permitted under the Plan, and (ii) after December 31, 2005, no Investment Elections into the Stock Unit Option may be made under the Plan.

## ARTICLE III
## PARTICIPANTS' ACCOUNTS; DEFERRAL CONTRIBUTIONS

3.1 **Participants' Accounts.**

(a) **Establishment of Accounts**. The Plan Administrator shall establish and maintain one or more Accounts on behalf of each Participant for each Plan Year for which the Participant makes Deferral Contributions. The Plan Administrator shall credit each Participant's Account with the Participant's Deferral Contributions for such Plan Year and earnings attributable thereto, and shall maintain such Account until the value thereof has been distributed to or on behalf of such Participant or his Beneficiary.

(b) **Nature of Contributions and Accounts**. The amounts credited to a Participant's Accounts shall be represented solely by bookkeeping entries. Except as provided in Article VII, no monies or other assets shall actually be set aside for such Participant, and all payments to a Participant under the Plan shall be made from the general assets of the Participating Companies.

(c) **Several Liabilities**. Each Participating Company shall be severally (and not jointly) liable for the payment of benefits under the Plan under Deferral Elections executed by Eligible Employees with, and while employed by, such Participating Company.

(d) **General Creditors**. Any assets which may be acquired by a Participating Company in anticipation of its obligations under the Plan shall be part of the general assets of such Participating Company. A Participating Company's obligation to pay benefits under the Plan constitutes a mere promise of such Participating Company to pay such benefits, and a Participant or Beneficiary shall be and remain no more than an unsecured, general creditor of such Participating Company.

3.2 **Deferral Contributions**. Each Eligible Employee may irrevocably elect to have Deferral Contributions made on his or her behalf for a Plan Year by completing in a timely manner a Deferral Election and an Investment Election, and following other election procedures as provided in Section 2.2. Subject to any modifications, additions or exceptions that the Plan Administrator, in its sole discretion, deems necessary, appropriate or helpful and that are made in compliance with Section 409A, the following terms shall apply to such Deferral Elections:

(a) **Effective Date**. A Deferral Election made by a Participant shall be effective beginning with the first regular, periodic paycheck earned and paid with respect to the Participant in such Plan Year. To be effective, a Participant's Deferral Election must be made by the Election Deadline. If an Eligible Employee fails to deliver a Deferral Election, or to complete any of the other requisite election procedures for a Plan Year, in a timely manner, the Eligible Employee shall be deemed to have elected not to participate in the Plan for that Plan Year.

(b) **Term**. Each Deferral Election for a Plan Year that is made by an Eligible Employee shall remain in effect with respect to the specified portion of all Base Salary paid or payable during such Plan Year, but shall not apply to any subsequent Plan Year.

(c) **Deferral Election Amount**. Each Eligible Employee's Deferral Election for a Plan Year shall specify a whole percentage of his or her Compensation to be deferred from his or her Base Salary earned and paid for such year. Notwithstanding the foregoing, the Plan Administrator, in its sole discretion, may allow an Eligible Employee to complete a Deferral Election specifying either (i) a whole dollar amount of his or her Base Salary to be deferred, with such amount being expressed in increments of $1,000 (or such other increments as the Plan Administrator may determine), or (ii) a percentage of his or her Base Salary earned and paid or payable for each payroll period, with the amount of such deferral to vary as the Eligible Employee's Base Salary changes. The maximum amount of Base Salary that an Eligible Employee may defer for any Plan Year shall be fifteen percent (15%) of the Eligible Employee's Compensation for such Plan Year rounded up to the next highest thousand dollars. The total amount elected to be deferred shall be withheld from such Eligible Employee's regular, periodic paychecks of Base Salary in substantially equal installments (except as contemplated in clause (ii) above) throughout the Plan Year. If any election would result in a fractional dollar amount to be withheld, the Plan Administrator, in its sole discretion, may determine that such amount will be rounded up to the next highest whole dollar. Notwithstanding any provision of the Plan or a Deferral Election to the contrary, however, the amount withheld from any payment of Base Salary shall be reduced automatically, if necessary, so that it does not exceed the amount of such payment net of all withholding, allotments and deductions, other than any reduction pursuant to such Deferral Election. No amounts shall be withheld during any period an individual ceases to receive Base Salary as an actively employed Eligible Employee for any reason during the Plan Year except that, in the case of an individual on an approved paid leave of absence as an Eligible Employee (including a paid leave of absence under a short term disability plan of a Participating Company), amounts shall be withheld from such leave of absence payments and otherwise treated in the same manner as if such payments constituted Base Salary under the Plan. No adjustment shall be made in the amount to be withheld from any subsequent payment of Base Salary for a Plan Year to compensate for any missed or reduced withholding amounts above.

(d) **Revocation**. Once made for a Plan Year, a Participant may not revoke a Deferral Election for such Plan Year.

(e) **Crediting of Deferred Compensation**. The Plan Administrator shall credit to each Participant's Account for a Plan Year, as of the first day of such Plan Year, the entire amount of the Participant's Deferral Contributions reflected in his or her Deferral Election for such Plan Year; provided, that the Participant's Account shall be automatically adjusted, retroactively to the first day of such Plan Year, to reflect the amount of Deferral Contributions actually made from Base Salary (or pursuant to Section 3.4, if applicable) during the Plan Year if for any reason the entire amount of the Participant's Deferral Contributions so reflected is not made.

3.3 **Deferral Elections and Multiple Participating Companies**. Any Deferral Election which is timely executed and delivered to the Plan Administrator shall be effective to defer Base Salary earned by the Participant from the Participating Company employing such Participant at the time of the Participant's election or any other Participating Company employing such Participant during the Plan Year for which the Deferral Election is effective. In particular, a Participant (i) who timely executes and delivers a Deferral Election while employed by one Participating Company and subsequently transfers to another Participating Company, or (ii) who terminates employment and subsequently becomes employed by another Participating Company, shall have the Base Salary that is paid or payable to such Participant by both Participating Companies reduced under the terms of the Deferral Election and the Plan as if the transfer or termination and reemployment had not occurred; provided that, as provided in Section 3.2(c), no amounts of Base Salary shall be withheld attributable to any portion of the Plan Year during which such Participant is not receiving Base Salary as an Eligible Employee of a Participating Company.

3.4 **Vesting**. A Participant shall at all times be fully vested in the Participant's Deferral Contributions and all investment earnings attributable thereto.

3.5 **Debiting of Distributions**. As of each Valuation Date, the Plan Administrator shall debit each Participant's Account for any amount distributed from such Account since the immediately preceding Valuation Date.

## ARTICLE IV
## DETERMINATION AND CREDITING OF INVESTMENT RETURN

4.1 **General Investment Parameters**. The rate of return credited to each Participant's Account shall be determined on the basis of the Investment Option(s) selected by the Participant. The terms of this selection process and the manner in which investment return is credited are set forth in this Article IV.

4.2 **Participant Direction of Deemed Investments**. Each Participant generally may direct the manner in which his or her Deferral Contributions for each Plan Year shall be

deemed invested in and between the Stock Unit Option and/or the Interest Income Option, in accordance with the following terms:

(a) **Nature of Participant Direction**. A Participant's election of the Stock Unit Option and/or Interest Income Option shall be for the sole purpose of determining the rate of return to be credited to such Participant's Account for such Plan Year, and shall not be treated or interpreted in any manner whatsoever as a requirement or direction to actually invest assets in Company Stock, an interest income fund or any other investment media. The Plan, as an unfunded, nonqualified deferred compensation plan, at no time shall have any actual investment of assets relative to the benefits or Accounts hereunder.

(b) **Investment of Contributions**. In conjunction with completing a Deferral Election for a Plan Year, an Eligible Employee shall complete an Investment Election prescribing the whole percentages of such Eligible Employee's Deferral Contributions for such Plan Year to be deemed to be invested in the Stock Unit Option and/or the Interest Income Option; provided, that the combined percentages allocated to the Stock Unit Option and the Interest Income Option shall equal one hundred percent (100%). Notwithstanding anything to the contrary herein, no Investment Elections into the Stock Unit Option may be made after December 31, 2005.

(c) **Investment of Existing Account Balances**. A Participant may not make an Investment Election changing the percentage of an existing Account balance that will be deemed to be invested in the Stock Unit Option and/or the Interest Income Option. Once an Investment Election is made with respect to an Account, it shall continue to apply with respect to such Account until all amounts in such Account are distributed.

(d) **Investment Subaccounts**. For the sole purpose of tracking a Participant's Investment Elections and calculating investment earnings attributable to a Participant's Account for a Plan Year pursuant to the terms of this Article IV, the Plan Administrator shall establish and maintain for such Participant for such Plan Year a Stock Unit Subaccount and an Interest Income Subaccount, as necessary, the total of which shall equal such Participant's Account for such Plan Year.

4.3 **Stock Unit Option**.

(a) **Stock Unit Subaccount**. To the extent an Eligible Employee makes an Investment Election in accordance with Section 4.2 to have all or a portion of his or her Deferral Contributions for a Plan Year deemed to be invested in the Stock Unit Option, the Participant's Stock Unit Subaccount shall be credited (subject to the adjustment described in subsection 3.2(e), if applicable), as of the first day of such Plan Year, with a number of Stock Units equal to the number of full and fractional shares of Company Stock that could have been purchased with such portion of the Eligible Employee's Deferral Contributions elected for such Plan Year at the average of the high and low sales prices of one share of Company Stock on the New York Stock Exchange for the last Business Day of each of the three (3) calendar months immediately preceding the first day of such Plan Year.

(b) **Cash Dividends**. As of each date on which a cash dividend has been paid on Company Stock, the number of Stock Units credited to a Participant's Stock Unit Subaccount for each Plan Year shall be increased by a number of additional Stock Units equal to the quotient of (i) the amount of dividends that would have been paid on the number of shares of Company Stock equivalent to the number of Stock Units credited to such subaccount as of such dividend payment date, divided by (ii) the average of the daily high and low sales prices of one share of Company Stock on the New York Stock Exchange for the period of five (5) Business Days ending on such dividend payment date (or the period of five (5) Business Days ending on the immediately preceding Business Day if such date was not a Business Day).

(c) **Adjustments**. In the event of any change in outstanding shares of Company Stock, by reclassification, recapitalization, merger, consolidation, spinoff, combination, exchange of shares, stock split, reverse stock split or otherwise, or in the event of the payment of a stock dividend on Company Stock, or in the event of any other increase or decrease in the number of outstanding shares of Company Stock, other than the issuance of shares for value received by BellSouth or the redemption of shares for value, the Plan Administrator shall adjust the number and/or form of Stock Units in the manner it deems appropriate in its reasonable judgment to reflect such event, including substituting or adding publicly traded shares of companies other than the Company as a basis for determining Stock Units. The Plan Administrator similarly shall make such adjustments as it deems are appropriate in its reasonable judgment in the form, including the basis of measurement, of Stock Units in the event all shares of Company Stock cease for any reason to be outstanding or to be actively traded on the New York Stock Exchange. In the event the Plan Administrator determines in its reasonable judgment that it would not be possible to appropriately reflect an event under this paragraph (c) by adjusting the number and/or form of Stock Units, the Plan Administrator shall establish a special Valuation Date appropriate to such event for all Stock Unit Subaccounts and shall cause such subaccounts, as so valued, automatically to be converted into Interest Income Subaccounts, which thereafter shall be subject to Section 4.4.

4.4 **Interest Income Option**.

(a) **Interest Income Subaccount**. To the extent that an Eligible Employee makes an Investment Election in accordance with Section 4.2 to have all or a portion of his or her Deferral Contributions for a Plan Year deemed to be invested in the Interest Income Option, the Participant's Interest Income Subaccount shall be credited (subject to the adjustment described in subsection 3.2(e), if applicable), as of the first day of such Plan Year, with such portion of the Eligible Employee's Deferral Contributions elected for such Plan Year.

(b) **Crediting of Deemed Interest**. As of each Valuation Date, the Plan Administrator shall credit a Participant's Interest Income Subaccounts with the amount of earnings applicable thereto for the period since the immediately preceding Valuation Date. Such crediting of earnings for each Interest Income Subaccount shall be effected, as follows:

(i) **Amount Invested**. The Plan Administrator shall determine the amount of (A) in the case of an Interest Income Subaccount established in connection with a Deferral Election for the Plan Year, such Participant's Deferral Contributions credited to such Participant's Interest Income Subaccount for such Plan Year; and (B) in the case of an Interest Income Subaccount for a prior Plan Year, the balance of such Participant's Interest Income Subaccount as of the immediately preceding Valuation Date, minus the amount distributed from such Participant's Interest Income Subaccount since the immediately preceding Valuation Date; and

(ii) **Determination of Amount**. The Plan Administrator then shall apply the Credited Interest Rate for such Plan Year to such Participant's adjusted Interest Income Subaccount (as determined in subparagraph (i) hereof), and the total amount of investment earnings resulting therefrom shall be credited to such Participant's Interest Income Subaccount as of such Valuation Date.

4.5 **Good Faith Valuation Binding**. In determining the value of Accounts, the Plan Administrator shall exercise its best judgment, and all such determinations of value (in the absence of bad faith) shall be binding upon all Participants and their Beneficiaries.

4.6 **Errors and Omissions in Accounts**. If an error or omission is discovered in the Account of a Participant or in the amount of a Participant's Deferral Contributions, the Plan Administrator, in its sole discretion, shall cause appropriate, equitable adjustments to be made as soon as administratively practicable following the discovery of such error or omission.

## ARTICLE V
## PAYMENT OF ACCOUNT BALANCES

5.1 **Benefit Amounts**.

(a) **Benefit Entitlement**. As the benefit under the Plan, each Participant (or Beneficiary) shall be entitled to receive the total amount of the Participant's Accounts, determined as of the most recent Valuation Date, and payable at such times and in such forms as described in this Article V.

(b) **Valuation of Benefit**. For purposes hereof, each Account of a Participant as of any Valuation Date shall be equal to (i) the total amount of all of such Participant's Deferral Contributions credited thereto; plus (ii) all deemed investment earnings attributable thereto; minus (iii) the total amount of all benefit payments previously made therefrom.

(c) **Conversion of Stock Units into Dollars**. For purposes of converting some or all of a Participant's Stock Units into a dollar amount in valuing the Participant's Accounts as of any Valuation Date, the value of each Stock Unit shall be equal to the average of the high and low sales prices of one share of Company Stock on the New York Stock Exchange for the last Business Day of each of the three (3) months of the calendar quarter most recently completed on or prior to such Valuation Date.

5.2 **Elections of Timing and Form**. In conjunction with, and at the time of, completing a Deferral Election for each Plan Year, an Eligible Employee shall select the timing and form of the distribution that will apply to the Account for such Eligible Employee's Deferral Contributions (and deemed investment earnings attributable thereto) for such Plan

Year. The terms applicable to this selection process are as follows:

(a) **Timing**. For a Participant's Account for each Plan Year, such Participant may elect that distribution will be made or commence as of any January 1 following the Plan Year of deferral; provided, a Participant may not select a benefit payment or commencement date for such Account that is (i) earlier than the second January 1 following the end of the Plan Year for which the deferral is made, or (ii) later than the twentieth January 1 following the end of the Plan Year of deferral.

(b) **Form of Distribution**. For a Participant's Account for each Plan Year, such Participant may elect that distribution will be paid in one of the following forms:

(i) a single lump-sum cash payment; or

(ii) substantially equal annual installments (adjusted for investment earnings between payments in the manner described in Article IV) over a period of two (2) to ten (10) years.

(c) **Multiple Selections**. An Eligible Employee may select a different benefit payment or commencement date and/or a different form of distribution with respect to his or her Account for each Plan Year. For ease of administration, the Plan Administrator may combine Accounts and subaccounts of a Participant to which the same benefit payment/commencement date and the same form of distribution apply.

5.3 **Benefit Payments to a Participant**.

(a) **Timing**. A Participant shall receive or begin receiving a distribution of each of his or her Accounts as of the earlier of (i) the January 1 selected by such Participant with respect to each such Account pursuant to the terms of Section 5.2(a); or (ii) the January 1 immediately following the date that such Participant's employment with BellSouth and all Affiliates ends for any reason. An amount payable "as of" any January 1 shall be made as soon as practicable after such January 1 and, unless extenuating circumstances arise, no later than January 31.

(b) **Form of Distribution**. A Participant shall receive or begin receiving a distribution of each of his or her Accounts in cash in the form selected by such Participant with respect to such Account pursuant to the terms of Section 5.2(b).

(c) **Valuation of Single Lump-Sum Payments**. The amount of a Participant's single lump-sum distribution of any of his or her Accounts as of any applicable January 1 shall be equal to the value of such Account as of the Valuation Date immediately preceding the date on which such distribution is paid.

(d) **Valuation of Installment Payments**. For purposes of determining the amount of any installment payment to be paid as of a January 1 from an Account, the following shall apply:

(i) for any amount of such Account attributable to an Interest Income Subaccount as of the immediately preceding Valuation Date, such amount shall be divided by the number of remaining installments to be paid from such Account (including the current installment); and

(ii) for any portion of such Account attributable to a Stock Unit Subaccount as of the immediately preceding Valuation Date, the total number of Stock Units constituting such portion shall be divided by the number of remaining installments to be paid from such Account (including the current installment), and the resulting number of Stock Units shall be converted into a dollar amount (pursuant to the terms of Section 5.1(c)) as of such Valuation Date.

(e) **One-Time Modification of Certain Elections**. Each active executive officer of BellSouth who is a Participant in this Plan and who is eligible to participate in the BellSouth Officer Compensation Deferral Plan (the "Officer Plan") during the 2002 Plan Year, may make a one-time election to delay the payment (or commencement) of any of his or her Accounts hereunder, and may make a one-time election to increase the number of payments applicable to his or her Accounts, as and to the extent provided in the Officer Plan.

(f) **Distributions to Section 409A Specified Employees.** Notwithstanding any provision of this Plan to the contrary, with respect to any Participant who is a "specified employee" for purposes of Section 409A, no payment of any portion of such Participant's benefit amount which is occasioned by the Participant's separation from service shall be made before the date that is six (6) months after the date of such Participant's separation from service.

5.4 **Death Benefits**.

(a) **General**. If a Participant dies before receiving the entire amount of his or her benefit under the Plan, such Participant's Beneficiary shall receive distribution of amounts remaining in the Participant's Accounts in the form, as elected by the Participant on a Beneficiary designation form described in Section 5.5, of either:

(i) a single lump-sum cash payment of the entire balance in the Participant's Accounts as of the January 1 immediately following the date of the Participant's death; or

(ii) (A) for Accounts with respect to which distribution has not commenced under Section 5.2 at the time of the Participant's death, substantially equal annual installments (adjusted for investment earnings between payments in the manner described in Article IV) over a period of two (2) to ten (10) years, commencing as of the January 1 immediately following the Participant's death; and (B) for Accounts with respect to which distribution has commenced in the form of installments described in Section 5.2(b)(ii) at the time of the Participant's death, continuation of such installment payment schedule.

An amount payable "as of" any January 1 shall be made as soon as practicable after such January 1 and, unless extenuating circumstances arise, no later than January 31.

(b) **Valuation**. The valuation rules described in subsections 5.3(c) and 5.3(d) shall apply to payments described in this Section 5.4.

5.5 **Beneficiary Designation**.

(a) **General**. A Participant shall designate a Beneficiary or Beneficiaries for all of his or her Accounts by completing the form prescribed for this purpose for the Plan by the Plan Administrator and submitting such form as instructed by the Plan Administrator. Once a Beneficiary designation is made, it shall continue to apply until and unless such Participant makes and submits a new Beneficiary designation form for this Plan; provided that, after December 31, 2007, no changes may be made to the form or timing of payment of death benefits on a previously submitted Beneficiary Designation (although the Beneficiary(ies) designated may be changed consistent with rules prescribed by the Plan Administrator). Prior to January 1, 2008, any such changes may be made only to the extent permitted by and consistent with Section 409A.

(b) **No Designation or Designee Dead or Missing**. In the event that:

(i) a Participant dies without designating a Beneficiary;

(ii) the Beneficiary designated by a Participant is not surviving or in existence when payments are to be made or commence to such designee under the Plan, and no contingent Beneficiary, surviving or in existence, has been designated; or

(iii) the Beneficiary designated by a Participant cannot be located by the Plan Administrator within 1 year from the date benefit payments are to be made or commence to such designee;

then, in any of such events, the Beneficiary of such Participant shall be the Participant's surviving spouse, if any can then be located, and if not, the estate of the Participant, and the entire balance in the Participant's Accounts shall be paid to such Beneficiary in the form of a single lump-sum cash payment described in Section 5.4(a)(i).

(c) **Death of Beneficiary**. If a Beneficiary who survives the Participant, and to whom payment of Plan benefits commences, dies before complete distribution of the

Participant's Accounts, the entire balance in such Accounts shall be paid to the estate of such Beneficiary in the form of a single lump-sum cash payment as of the January 1 immediately following such Beneficiary's death. An amount payable "as of" any January 1 shall be made as soon as practicable after such January 1 and, unless extenuating circumstances arise, no later than January 31. The valuation rules described in subsection 5.3(c) shall apply to any payments described in this subsection 5.5(c).

5.6 **Taxes**. If the whole or any part of any Participant's or Beneficiary's benefit hereunder shall become subject to any estate, inheritance, income, employment or other tax which a Participating Company shall be required to pay or withhold, the Participating Company shall have the full power and authority to withhold and pay such tax out of any monies or other property in its hand for the account of the Participant or Beneficiary whose interests hereunder are so affected. Prior to making any payment, the Participating Company may require such releases or other documents from any lawful taxing authority as it shall deem necessary. Notwithstanding the foregoing, no such withholding will be made with respect to a benefit under the Plan that is subject to Section 409A unless (i) such benefit is currently distributable to the Participant, (ii) such benefit is includible in the gross income of the Participant due to a violation of Section 409A, or (iii) such withholding is for purposes of FICA tax or federal income tax with respect to such benefit.

## ARTICLE VI
## CLAIMS

6.1 **Initial Claim**. Claims for benefits under the Plan may be filed with the Plan Administrator on forms or in such other written documents, as the Plan Administrator may prescribe. The Plan Administrator shall furnish to the claimant written notice of the disposition of a claim within 90 days after the application therefor is filed. In the event the claim is denied, the notice of the disposition of the claim shall provide the specific reasons for the denial, citations of the pertinent provisions of the Plan, and, where appropriate, an explanation as to how the claimant can perfect the claim and/or submit the claim for review.

6.2 **Appeal**. Any Participant or Beneficiary who has been denied a benefit shall be entitled, upon request to the Plan Administrator, to appeal the denial of his or her claim. The claimant (or his or her duly authorized representative) may review pertinent documents related to the Plan and in the Plan Administrator's possession in order to prepare the appeal. The request for review, together with written statement of the claimant's position, must be filed with the Plan Administrator no later than 60 days after receipt of the written notification of denial of a claim provided for in Section 6.1. The Plan Administrator's decision shall be made within 60 days following the filing of the request for review. If unfavorable, the notice of the decision shall explain the reasons for denial and indicate the provisions of the Plan or other documents used to arrive at the decision.

6.3 **Satisfaction of Claims**. The payment of the benefits due under the Plan to a Participant or Beneficiary shall discharge the Participating Company's obligations under the Plan, and neither the Participant nor the Beneficiary shall have any further rights under the Plan upon receipt by the appropriate person of all benefits. In addition, (i) if any payment is made to a Participant or Beneficiary with respect to benefits described in the Plan from any source arranged by BellSouth or a Participating Company including, without limitation, any fund, trust, insurance arrangement, bond, security device, or any similar arrangement, such payment shall be deemed to be in full and complete satisfaction of the obligation of the Participating Company under the Plan to the extent of such payment as if such payment had been made directly by such Participating Company; and (ii) if any payment from a source described in clause (i) shall be made, in whole or in part, prior to the time payment would be made under the terms of the Plan, such payment shall be deemed to satisfy such Participating Company's obligation to pay Plan benefits beginning with the benefit which would next become payable under the Plan and continuing in the order in which benefits are so payable, until the payment from such other source is fully recovered. The Plan Administrator or such Participating Company, as a condition to making any payment, may require such Participant or Beneficiary to execute a receipt and release therefor in such form as shall be determined by the Plan Administrator or the Participating Company. If receipt and release is required but the Participant or Beneficiary (as applicable) does not provide such receipt and release in a timely enough manner to permit a timely distribution in accordance with the general timing of distribution provisions in the Plan, the payment of any affected distribution may be delayed until the Plan Administrator or the Participating Company receives a proper receipt and release.

## ARTICLE VII
## SOURCE OF FUNDS

Each Participating Company shall provide the benefits described in the Plan from its general assets. However, to the extent that funds in one or more trusts, or other funding arrangement(s), allocable to the benefits payable under the Plan are available, such assets may be used to pay benefits under the Plan. If such assets are not sufficient or are not used to pay all benefits due under the Plan, then the appropriate Participating Company shall have the obligation, and the Participant or Beneficiary, who is due such benefits, shall look to such Participating Company to provide such benefits. No Participant or Beneficiary shall have any interest in the assets of any trust, or other funding arrangement, or in the general assets of the Participating Companies other than as a general, unsecured creditor. Accordingly, a Participating Company shall not grant a security interest in the assets held by the trust in favor of the Participants, Beneficiaries or any creditor.

## ARTICLE VIII
## PLAN ADMINISTRATION

8.1 **Action by the Plan Administrator**.

(a) **Individual Administrator**. If the Plan Administrator is an individual, such individual shall act and record his or her actions in writing. Any matter concerning specifically such individual's own benefit or rights hereunder shall be determined by the Board or its designee.

(b) **Administrative Committee**. If the Plan Administrator is a committee, action of the Plan Administrator may be taken with or without a meeting of committee members; provided, action shall be taken only upon the vote or other affirmative expression of a majority of the committee members qualified to vote with respect to such action. If a member of the committee is a Participant or Beneficiary, such member shall not participate in any decision which solely affects his or her own benefit under the Plan. For purposes of administering the Plan, the Plan Administrator shall choose a secretary who shall keep minutes of the committee's proceedings and all records and documents pertaining to the administration of the Plan. The secretary may execute any certificate or any other written direction on behalf of the Plan Administrator.

8.2 **Rights and Duties of the Plan Administrator**. The Plan Administrator shall administer the Plan and shall have all powers necessary to accomplish that purpose, including (but not limited to) the following:

(a) to construe, interpret and administer the Plan;

(b) to make determinations required by the Plan, and to maintain records regarding Participants' and Beneficiaries' benefits hereunder;

(c) to compute and certify to Participating Companies the amount and kinds of benefits payable to Participants and Beneficiaries, and to determine the time and manner in which such benefits are to be paid;

(d) to authorize all disbursements by a Participating Company pursuant to the Plan;

(e) to maintain all the necessary records of the administration of the Plan;

(f) to make and publish such rules and procedures for the regulation of the Plan as are not inconsistent with the terms hereof;

(g) to delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder; and

(h) to hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan.

The Plan Administrator shall have the exclusive right to construe and interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters shall be final and conclusive on all parties.

8.3 **Bond; Compensation**. The Plan Administrator and (if applicable) its members shall serve as such without bond and without compensation for services hereunder. All expenses of the Plan Administrator shall be paid by the Participating Companies.

8.4 **Post-Merger Plan Administration.** Notwithstanding anything to the contrary in this Plan, following the Merger, responsibility for administration of the Plan shall be determined under the terms of the Rabbi Trust Agreements. As provided in the Rabbi Trust Agreements, claims for benefits, appeals of benefit denials and Plan interpretations shall be made by a "Trust Contractor" or "Independent Fiduciary" (as such terms are defined in the Rabbi Trust Agreements), as the case may be. At any time during which a Trust Contractor or Independent Fiduciary shall, under the terms of the Rabbi Trust Agreements, have such Plan administrative responsibilities, the term "Plan Administrator" as used in this Plan shall refer to such Trust Contractor or Independent Fiduciary.

## ARTICLE IX
## AMENDMENT AND TERMINATION

9.1 **Amendments**. Subject to Section 9.3, the Board shall have the right, in its sole discretion, to amend the Plan in whole or in part at any time and from time to time. In addition, the Plan Administrator shall have the right, in its sole discretion, to amend the Plan at any time and from time to time so long as such amendment is not of a material nature. Notwithstanding the foregoing, no such action shall accelerate or postpone the time or schedule of payment of any Plan benefits except as may be permitted under Section 409A and regulations thereunder.

9.2 **Termination of Plan**. Subject to Section 9.3, BellSouth reserves the right to discontinue and terminate the Plan at any time, for any reason. Any action to terminate the Plan shall be taken by the Board and such termination shall be binding on all Participating Companies, Participants and Beneficiaries.

9.3 **Limitation on Authority**. Except as otherwise provided in this Section 9.3, no contractual right created by and under any Deferral Election made prior to the effective date of any amendment or termination shall be abrogated by any amendment or termination of the Plan, absent the express, written consent of the Participant who made the Deferral Election.

(a) **Plan Amendments**. The limitation on authority described in this Section 9.3 shall not apply to any amendment of the Plan which is reasonably necessary, in the opinion of counsel, (i) to preserve the intended tax consequences of the Plan described in Sections 10.1 and 10.10, (ii) to preserve the status of the Plan as an unfunded, nonqualified deferred compensation plan for the benefit of a select group of management or highly compensated employees and not subject to the requirements of Part 2, Part 3 and Part 4 of Title I of ERISA, or (iii) to guard against other material adverse impacts on Participants and Beneficiaries, and which, in the opinion of counsel, is drafted primarily to preserve such intended consequences, or status, or to guard against such adverse impacts.

(b) **Plan Termination**. The limitation on authority described in this Section 9.3 shall not apply to any termination of the Plan as the result of a determination that, in the opinion of counsel, (i) Participants and Beneficiaries generally are subject to federal income taxation (including but not limited to taxation, penalty taxes, interest or other adverse tax consequences under Section 409A) on Deferral Contributions or other amounts in Participant Accounts prior to the time of distribution of amounts under the Plan, or (ii) the Plan is generally subject to Part 2, Part 3 or Part 4 of Title in of ERISA, but in either case only if such termination is reasonably necessary, in the opinion of counsel, to guard against material adverse impacts on Participants and Beneficiaries, or BellSouth or Participating Companies. Upon such termination, the entire amount in each Participant's Accounts shall be distributed in a single lump-sum distribution as soon as practicable after the date on which the Plan is terminated; provided, no benefit under the Plan that is subject to Section 409A shall be distributed prior to the earliest date such distribution would be permitted under Section 409A. In such event, the Plan Administrator shall declare that the date of termination (or, if such day is not a Business Day, the last Business Day immediately preceding such day) shall be a Valuation Date and all distributions shall be made based on the value of the Accounts as of such Valuation Date.

(c) **Opinions of Counsel**. In each case in which an opinion of counsel is contemplated in this Section 9.3, any such opinion shall be in writing and delivered to the Board, rendered by a nationally recognized law firm selected or approved by the Board.

## ARTICLE X
## MISCELLANEOUS

10.1 **Taxation**. It is the intention of BellSouth that the benefits payable hereunder shall not be deductible by the Participating Companies nor taxable for federal income tax purposes to Participants or Beneficiaries until such benefits are paid by the Participating Company to such Participants or Beneficiaries. When such benefits are so paid, it is the intention of the Participating Companies that they shall be deductible by the Participating Companies under Code Section 162.

10.2 **Withholding**. All payments made to a Participant or Beneficiary hereunder shall be reduced by any applicable federal, state or local withholding or other taxes or charges as may be required under applicable law.

10.3 **No Employment Contract**. Nothing herein contained is intended to be nor shall be construed as constituting a contract or other arrangement between a Participating Company and any Participant to the effect that the Participant will be employed by the Participating Company or continue to be an employee for any specific period of time.

10.4 **Headings**. The headings of the various articles and sections in the Plan are solely for convenience and shall not be relied upon in construing any provisions hereof. Any reference to a section shall refer to a section of the Plan unless specified otherwise.

10.5 **Gender and Number**. Use of any gender in the Plan will be deemed to include all genders when appropriate, and use of the singular number will be deemed to include the plural when appropriate, and vice versa in each instance.

10.6 **Assignment of Benefits**. The right of a Participant or Beneficiary to receive payments under the Plan may not be anticipated, alienated, sold, assigned, transferred, pledged, encumbered, attached or garnished by creditors of such Participant or Beneficiary, except by will or by the laws of descent and distribution and then only to the extent permitted under the terms of the Plan.

10.7 **Legally Incompetent**. The Plan Administrator, in its sole discretion, may direct that payment be made to an incompetent or disabled person, for whatever reason, to the guardian of such person or to the person having custody of such person, without further liability on the part of a Participating Company for the amount of such payment to the person on whose account such payment is made.

10.8 **Entire Document**. This Plan document sets forth the entire Plan and all rights and limits. Except for a formal amendment hereto, no document shall modify the Plan or create any additional rights or benefits.

10.9 **Governing Law**. The Plan shall be construed, administered and governed in all respects in accordance with applicable federal law (including ERISA) and, to the extent not preempted by federal law, in accordance with the laws of the State of Georgia. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

10.10 **Plan to Comply with Code Section 409A**. Notwithstanding any provision to the contrary in this Plan, each provision of this Plan shall be interpreted to permit the deferral of compensation and the payment of deferred amounts in accordance with Code Section 409A and any provision that would conflict with such requirements shall not be valid or

enforceable.

**EXHIBIT A**

Participating Companies
(as of January 1, 2005)

| **Participating Company Names** | **Effective Date** |
|---|---|
| BellSouth Advertising & Publishing Corporation | January 1, 1997 |
| BellSouth Accounts Receivable Management, Inc. | October 1, 1999 |
| BellSouth Affiliate Services Corporation | January 1, 2000 |
| BellSouth Billing, Inc. | January 1, 1999 |
| BellSouth Business Systems, Inc. | January 1, 1997 |
| BellSouth Communication Systems, LLC | January 1, 1997 |
| BellSouth Corporation | January 1, 1997 |
| BellSouth Credit and Collections Management, Inc. | October 1, 1999 |
| BellSouth Cellular Services LLC | October 1, 2000 |
| BellSouth D.C., Inc. | January 1, 1997 |
| BellSouth Entertainment, Inc. | January 1, 1997 |
| BellSouth Intellectual Property Management Corporation | January 1, 1999 |
| BellSouth Intellectual Property Marketing Corporation | January 1, 1999 |
| BellSouth International ACCESS, Inc. | January 1, 1999 |
| BellSouth International, Inc. | January 1, 1997 |
| BellSouth Long Distance, Inc. | January 1, 1997 |
| BellSouth Resources, Inc. | January 1, 1997 |
| BellSouth Technology Group | July 1, 2001 |
| BellSouth Telecommunications, Inc. | January 1, 1997 |
| Berry Network, Inc. | January 1, 2001 |
| Intelligent Media Ventures, LLC | January 1, 1997 |
| Intelleprop, Inc. | January 1, 1999 |
| L.M. Berry and Company | January 1, 1997 |
| Stevens Graphics, Inc. | January 1, 1997 |
| Sunlink Corporation | January 1, 1997 |

**BELLSOUTH CORPORATION**
**EXECUTIVE INCENTIVE AWARD DEFERRAL PLAN**
**(as amended and restated effective January 1, 2008)**

SECTION 1. STATEMENT OF PURPOSE

The purpose of the Executive Incentive Award Deferral Plan is to permit the deferral of all or a portion of an Executive's Short and/or Long Term Incentive Awards. The objective of the Plan is to provide a means of postponing the receipt of income until some future time (e.g., retirement, etc.). Notwithstanding the foregoing, no deferrals will be permitted under this Plan with respect to awards for services performed in years after 1997. The Plan also provides for certain additional payments in recognition of reduced company matching contributions to Savings Plans on behalf of Executives under circumstances described herein; though no additional payments are due after 2008.

SECTION 2. DEFINITIONS

1. The word "Plan" shall mean the BellSouth Corporation Executive Incentive Award Deferral Plan.

2. The word "Company" shall mean the BellSouth Corporation, or its successors.

3. The words "Chairman of the Board," "President" and "Board of Directors" or "Board" shall mean the Chairman of the Board of Directors, President and Board of Directors, respectively, of the Company.

4. The term "Executive" or "eligible employee" shall mean an employee of the Company (or a participating subsidiary of the Company) who holds a position which the Board of Directors has designated to be within that company's Executive Management Group.

SECTION 3. ADMINISTRATION

1. The senior Human Resources officer of the Company (the "Responsible Officer") shall be responsible for administration of the Plan.

2. The Responsible Officer shall have the exclusive responsibility and complete discretionary authority to control the operation and administration of the Plan, with all powers necessary to properly carry out such responsibility, including without limitation the power (i) to interpret the terms of the Plan including the power to construe ambiguous or uncertain terms, (ii) to establish reasonable procedures with which participants must comply to exercise any right established under the Plan, (iii) to determine status, coverage and eligibility for, and the amount of, benefits, (iv) to resolve all questions that arise in the operation and administration of the Plan, and (v) to delegate his responsibilities hereunder to any person or entity. All actions or determinations of the Responsible Officer (or his delegate) shall (subject to Section 3.3) be final, conclusive and binding on all persons. The rights and duties of participants and other persons and entities are subject to, and governed by, such acts of administration, interpretations, procedures, and delegations.

3. Claims for benefits under the Plan may be filed with the Responsible Officer (or his delegate) on forms or in such other written documents as the Responsible Officer may prescribe. The Responsible Officer shall furnish to the claimant written notice of the disposition of a claim within 90 days after the application therefor is filed. In the event the claim is denied, the notice of the disposition of the claim shall provide the specific reasons for the denial, citations of the pertinent provisions of the Plan, and where appropriate an explanation as to how the claimant can perfect the claim and/or submit the claim for review.

Any eligible employee who has been denied a benefit shall be entitled, upon request to the Responsible Officer, to appeal the denial of the claim. The claimant (or his duly authorized representative) may review pertinent documents related to the Plan and in the Responsible Officer's possession in order to prepare the appeal. The request for review, together with written statement of the claimant's position must be filed with the Responsible Officer no later than 60 days after receipt of the written notification of denial of a claim provided for in the preceding paragraph. The Responsible Officer's decision shall be made within 60 days following the filing of the request for review. If unfavorable, the notice of the decision shall explain the reasons for denial and indicate the provisions of the Plan or other documents used to arrive at the decision.

SECTION 4. BENEFITS

1. ELIGIBILITY

An employee of the Company or a subsidiary of the Company which shall have elected to participate in the Plan (each such company sometimes being referred to herein as a "Participating Company") who is eligible for an award under his company's Short Term Incentive Plan and/or who has been granted an award under the BellSouth Corporation Executive Long Term Incentive Plan shall be eligible to participate in the Plan. In addition, each person who is a "Participant" as that term is defined in Section 4A.2 of the Plan shall be eligible for benefits as described in Section 4A.

2. PARTICIPATION

(a) Prior to the beginning of any calendar year, an eligible employee may elect to participate in the Plan by directing that all or part of the awards under his company's Short Term Incentive Plan and/or under the BellSouth Corporation Executive Long Term Incentive Plan which the employee's company would otherwise pay currently to the employee in which calendar year and subsequent calendar years shall be credited to a deferred account subject to the terms of the Plan. In no event, however, shall the part of an award under either plan credited to a deferred account subject to the terms of the Plan. In no event, however, shall the part of an award under either plan credited during any calendar year be less than $1,000 (based on a valuation at the time the award would otherwise be paid).

(b) Such an election to participate in the Plan shall be in the form of a document executed by the employee and filed with the employee's company. An election related to awards otherwise payable currently in any calendar year shall become irrevocable on the last day prior to the beginning of the preceding calendar year.

(c) An election shall continue until the employee terminates or modifies such election by written notice, or until the employee ceases to be employed by his company (other than a transfer to another company whose employees are eligible to participate in the Plan), in which case the employee shall be considered to have terminated the election. Any such termination or modification shall become effective as of the end of the calendar year in which such notice is given with respect to all awards for which irrevocable elections regarding deferral have not been made.

(d) An eligible employee who has filed a termination of election may thereafter again file an election to participate with respect to awards otherwise payable in calendar years subsequent to the filing of such election.

(e) For the purpose of this Section 4, an election made by an eligible employee under the comparable provisions of the predecessor Bell System Senior Management Incentive Award Deferral Plan ("the Predecessor Plan") shall be considered as an election made under this Section 4, and the reference to short term incentive awards in such an election under the Predecessor Plan shall be considered to refer to awards under the Short Term Incentive Plan of any company participating in this Plan, and the reference to long term incentive awards in such an election shall be considered to refer to awards under the BellSouth Corporation Long Term Incentive Plan.

3. DEFERRED ACCOUNTS

(a) Deferred amounts related to awards which would otherwise have been distributed in cash by a Participating Company shall be credited to the employee's account either (i) as cash, as described in Section 4.3(b), or (ii) as deferred Company shares, as described in Section 4.3(c), as elected by the employee in the election form described in Section 4.2(b). Deferred

amounts related to awards which would otherwise have been distributed in Company common shares by a Participating Company shall be credited to the employee's account as deferred Company shares, as described in Section 4.3(c). The crediting of deferred amounts to an employee's account either as cash or deferred Company shares shall be for the sole purpose of determining the rate of return to be credited to the employee's account, and shall not be treated or interpreted in any manner whatsoever as a requirement or direction to actually invest assets in Company shares or any other investment media. The Plan, as an unfunded, nonqualified deferred compensation plan, shall not have any actual investment of assets relative to the benefits or accounts hereunder.

(b) Deferred amounts credited to the employee's account as cash shall bear interest from the date the awards would otherwise have been paid. The interest credited to the account will be compounded at the end of each calendar quarter, and the annual rate of interest applied at the end of any calendar quarter shall be determined by the Board of Directors from time to time. In addition, if the employee's account under the Predecessor Plan has been transferred to an account under this Plan as of January 1, 1984 effective date of this Plan, then the employee's account under this Plan shall be credited as of such date with the amount credited to the employee's account under the Predecessor Plan as of December 31, 1983, and such amount shall bear interest in accordance with the preceding sentence from the effective date of the Plan. An employee's account under the Predecessor Plan shall be transferred to an account under this Plan, if the employee is employed by a Participating Company on the effective date of the Plan.

(c) To the extent that an employee elects to have deferred amounts credited to his or her account as deferred Company shares, such employee's account shall be credited as of the date (s) on which the related award(s) would otherwise have been distributed in cash, with the number of shares of Company stock equal to the number of such shares that could have been purchased with the dollar amount of such award(s) at the average of the high and low sales prices of Company common shares on the New York Stock Exchange ("NYSE") for the last day of the month preceding the day on which the related award(s) would otherwise have been distributed in cash or, if on such date the NYSE is not operating and open to the public for trading (a "Business Day"), on the Business Day most recently preceding such day. Deferred amounts relating to awards which would otherwise have been distributed in Company common shares shall be credited to the employee's account with an equivalent number of deferred Company shares.

Deferred amounts credited to the employee's account as deferred Company shares shall also be credited on each dividend payment date for Company shares with an amount equivalent to the dividend payable on the number of Company common shares equal to the number of deferred Company shares in the employee's account on the record date for such dividend. Such amount shall then be converted to a number of additional deferred Company shares determined by dividing such amount by the price of Company common shares, as determined in the following sentence. The price of Company common shares related to any dividend payment date shall be the average of the daily high and low sales prices of Company common shares on the NYSE for the period of five Business Days ending on such dividend payment date, or the period of five Business Days immediately preceding such dividend payment date if the dividend payment date is not a Business Day.

(d) In the event of any change in outstanding Company common shares by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, the Board of Directors shall make such adjustments, if any, that it deems appropriate in the number of deferred Company shares then credited to employees' accounts. Any and all such adjustments shall be conclusive and binding upon all parties concerned.

4. DISTRIBUTION

(a) At the time an eligible employee makes an election to participate in the Plan, the employee shall also make an election with respect to the distribution (during the employee's lifetime or in the event of the employee's death) of the amounts credited to the employee's deferred account. Such an election related to awards otherwise payable currently in any calendar year shall become irrevocable on the last day prior to the beginning of such calendar year. Amounts related to awards which would have been distributed in cash in the absence of a deferral election shall be distributed in cash. In the case of amounts credited to the employee's account as deferred Company shares, the amount of the cash distribution shall be determined by multiplying the number of deferred Company shares in the employee's account by the price of Company common shares. For purposes of the preceding sentence, the price of Company common shares shall be the average of the daily high and low sales prices of Company common shares on the NYSE for the last Business Day of the month preceding the payment date (described in Section 4(b)). Amounts related to awards which would have been distributed in Company common shares in the absence of a deferral shall be distributed in the form of an equal number of Company common shares.

(b) An employee may elect to receive the amounts credited to the employee's account in one payment or in some other number of approximately equal annual installments (not exceeding 20). The first installment (or the single payment of the employee has so elected) shall be paid as soon as administratively practicable following the first day of the calendar quarter next following the earlier of (1) the end of the month in which the employee attains the age specified in such election (not earlier than age 55), or (2) the end of the month in which the employee retires from a Participating Company, or otherwise terminates employment with any such company (except for a transfer to another such company).

(c) Notwithstanding an election pursuant to this Section 4, Paragraph 4(b), the entire amount then credited to the employee's account shall be paid immediately in a single payment if an employee is discharged for cause by his company, or if an employee otherwise ceases to be employed by his company and becomes a proprietor, officer, partner, employee, or otherwise becomes affiliated with any business that is in competition with Company or any of its subsidiaries, or becomes employed by a governmental agency having jurisdiction over the activities of Company or any of its subsidiaries.

(d) An employee may elect that, in the event the employee should die before full payment of all amounts credited to the employee's account, the balance of the deferred amounts shall be distributed in one payment or in some other number of approximately equal annual installments (not exceeding 10) to the beneficiary or beneficiaries designated in writing by the employee, or if no designation has been made, to the estate of the employee in a lump sum. The first installment (or the single payment if the employee has so elected) shall be paid as soon as administratively practicable following the first day of the calendar quarter next following the month of death.

(e) Installments subsequent to the first installment to the employee, or to a beneficiary or to the employee's estate, shall be paid as soon as administratively practicable following the first day of the applicable calendar quarter in each succeeding calendar year until the entire amount credited to the employee's deferred account shall have been paid. Deferred amounts held pending distribution shall continue to be credited with interest or additional deferred Company shares, as applicable, determined in accordance with this Section 4, Paragraph 3(a), (b) and (c).

(f) The obligation to make distribution of deferred amounts credited to an employee's account during any calendar year plus the additional amounts credited on such deferred amounts pursuant to this Section 4, Paragraph 3(a), (b) and (c) shall be borne by the Participating Company which otherwise would have paid the related award currently. However, the obligation to make distribution with respect to deferred amounts which are related to amounts credited to an employee's account as of the effective date of the Plan, pursuant to this Section 4 Paragraph 3(a), and with respect to which no Participating Company would otherwise have paid the related award currently, shall be borne by the Participating Company which employed the employee on the effective date of the Plan.

(g) For the purposes of this Section 4, an election described in Paragraph 4(a) or a beneficiary designation described in Paragraph 4(d) made under the comparable provision of the Predecessor Plan shall be considered as an election or beneficiary designation, respectively, made under this Section 4.

SECTION 4A. ADDITIONAL PAYMENT.

1. Each Participating Company shall pay to each Participant, as defined below, an amount determined under this Section at those times and in the manner prescribed in this Section notwithstanding any other obligation of the Participating Company to any person under the other provisions of this Plan.

2. For purposes of this Section:

A. "Participant" means any person who participates in the Nonqualified Plan in a Plan Year and any Executive who participates in a Savings Plan in a Plan Year.

In addition to the above requirements, effective January 1, 2008, a Participant must have been designated as an Executive prior to January 1, 2008.

B. "Plan Year" means each calendar year, but for the first Plan Year means February 1, 1985 through December 31, 1985.

C. "Computation Date" means December 31 of each Plan Year.

D. "Payment Date" means (i) with respect to amounts accrued under this Section 4A prior to May 1, 1994, the second anniversary of each Computation Date, and (ii) with respect to

amounts accrued under this Section 4A after April 30, 1994 and prior to January 1, 2008, the day in each month on which Participants' regular monthly paychecks are delivered, and (iii) with respect to amounts accrued under this Section 4A on or after January 1, 2008 and prior to January 1, 2009, the payroll payment date immediately following the last day of the month after the close of each calendar quarter (e.g., May 5, 2008 for amounts accrued January – March 2008).

E. "Nonqualified Plan" means the BellSouth Corporation Nonqualified Deferred Compensation Plan.

F. "Savings Plan" means the BellSouth Retirement Savings Plan (the "RSP") and any predecessor or successor plan.

3. (A) For periods prior to May 1, 1994, each Participating Company shall pay to each Participant on each Payment Date an amount equal to:

(1) The dollar amount, if any, actually deferred by the Participant pursuant to the Nonqualified Plan in the Plan Year (or, in the case of Plan Year 1994, the period prior to May 1, 1994) in which the Computation Date occurs, notwithstanding the amount that the Participant elected to defer pursuant to that plan, if different, plus the amount, if any, equal to the remaining base salary paid to the Participant during the Plan Year (or, in the case of Plan Year 1994, the period prior to May 1, 1994) in excess of the amount of such Participant's compensation which may be taken into account under Section 401(a)(17) of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, plus, in the case of Participants who participate in and make the maximum allowable contribution to the RSP in a Plan Year (or, in the case of Plan Year 1994, the period prior to May 1, 1994), the amount of base salary (excluding any base salary taken into account under the preceding provisions of this paragraph 4A.3(A)(l)) paid to the Participant during the Plan Year in excess of the amount of base salary that would produce the maximum contribution to the RSP for a Participant who contributed to the RSP six percent (6%) of his or her Eligible Compensation, as that term or its replacement is defined in the RSP, for the Plan Year (or, in the case of Plan Year 1994, the period prior to May 1, 1994),

(2) multiplied by the lesser of six percent (6%) or the percentage of such Participant's Salary or Eligible Compensation, as those terms or their replacements are defined in the Savings Plan, which the Participant actually caused to be contributed as before-tax or after-tax contributions to the Savings Plans in the Plan Year in which the Computation Date occurs (or, in the case of Plan Year 1994, the period prior to May 1, 1994), notwithstanding the amount elected to be contributed to the Savings Plans, if different; provided, however, that Participants who make the maximum allowable contribution to a Savings Plan in a Plan Year (or, in the case of Plan Year 1994, the period prior to May 1, 1994) shall be deemed, for purposes of this Paragraph 4A.3(A)(2), to have caused to be contributed six percent (6%) of such Salary or Eligible Compensation for such Plan Year (or, in the case of Plan Year 1994, the period prior to May 1, 1994),

(3) multiplied by the applicable percentage determined for that Plan Year (or, in the case of Plan Year 1994, the period prior to May 1, 1994) in which the Computation Date occurs as the percentage at which contributions by the Participant to the relevant Savings Plan are matched by Company contributions,

(4) plus an amount of interest for the period beginning on the first day of the Plan Year in which the Computation Date occurs and ending on the Payment Date, which interest shall be calculated on the same basis as interest is calculated on cash awards deferred under this Plan.

(B) For periods after April 30, 1994 and prior to January 1, 2009, each Participating Company shall pay to each Participant on each Payment Date an amount equal to:

(1) the dollar amount, if any, actually deferred by the Participant pursuant to the Nonqualified Plan for the pay period in which such Payment Date occurs, notwithstanding the amount the Participant elected to defer pursuant to that plan, if different, plus the amount, if any, equal to the remaining base salary paid to the Participant for such pay period in excess of the amount of such Participant's compensation which may be taken into account under Code Section 401(a)(17), or any successor provision, plus, in the case of Participants who participate in and make the maximum allowable contribution to the RSP for such pay period, the amount of base salary (excluding any base salary taken into account under the preceding provisions of this paragraph 4A.3(B)(l)) paid to the Participant during such pay period in excess of the amount of base salary that would produce the maximum contribution to the RSP for a Participant who contributed to the RSP six percent (6%) of his or her Eligible Compensation, as that term or its replacement is defined in the RSP, for such day period,

(2) multiplied by the lesser of six percent (6%) or the percentage of such Participant's Salary or Eligible Compensation, as those terms or their replacements are defined in the Savings Plans, which the Participant actually caused to be contributed as before-tax or after-tax contributions to the Savings Plans for such pay period, notwithstanding the amount elected to be contributed to the Savings Plans, if different; provided, however, that Participants who make the maximum allowable contribution to a Savings Plan for a pay period shall be deemed, for purposes of this paragraph 4A.3(B)(2), to have caused to be contributed six percent (6%) of such Salary or Eligible Compensation for such pay period,

(3) multiplied by the applicable percentage determined for such pay period as the percentage at which contributions by the Participant to the relevant Savings Plan are matched by Company contributions.

(C) For periods on or after January 1, 2009, no “additional payment” amounts under Section 4A shall be payable to any Participant.

4. A Participant who terminates employment shall be entitled to receive amounts payable under Paragraph 3 of this Section 4A on the Payment Dates otherwise scheduled except in the case of any termination of employment as described in Section 4, Paragraph 4(c), in which event all amounts otherwise payable under Section 4A, Paragraph 3 shall be immediately forfeited.

5. In the event of a Participant's death prior to receipt of all amounts under Paragraph 3 of this Section 4A, all such unpaid amounts (except as provided in Section 4A, Paragraph 4) shall be paid in a lump sum to the participant's estate as soon as is practical following his death.

SECTION 5. MISCELLANEOUS

(1) The Participating Company only has contractual obligations to make payments to, or on behalf of, the Executive or Participant. The deferred amounts related to each Participating Company shall be held in the general funds of such company. A Participating Company shall not be required to reserve or otherwise set aside funds for the payment of such deferred amounts. Executives and Participants (and any other person who acquires a right to receive payments from a Participating Company under this Plan) have the status of general unsecured creditors of the Participating Company. Nothing contained in this Plan shall create or be construed to create a trust of any kind or a fiduciary relationship between any Participating Company and any Executive or Participant. The rights of (or attributable to) any Executive or Participant hereunder may not be sold, assigned (either at law or in equity), transferred, pledged, encumbered or subject to attachment, garnishment, levy, execution or other legal or equitable process. Nor shall any interest of the Executive or Participant be subject to the claims of any creditor of the Executive or Participant. Finally, no Executive or Participant shall have any rights in any specific assets of any Participating Company. Any accounting reserve established as a result of the Plan only reflects a contractual obligation of the Participating Company on its books of accounting and does not constitute a segregated fund of assets or separation of assets, and the obligations of each Participating Company only are payable from its operating assets at the time the payment is due.

(2) In addition, (i) if any payment is made to (or attributable to) an Executive or Participant with respect to benefits described in this Plan from any source arranged by Company or a Participating Company including, without limitation, any fund, trust, insurance arrangement, bond, security device, or any similar arrangement, such payment shall be deemed to be in full and complete satisfaction of the obligation of the Participating Company under this Plan to the extent of such payment as if such payment had been made directly by the Participating Company; and (ii) if any payment from a source described in clause (i) above shall be made, in whole or in part, prior to the time payment would be made under the terms of this Plan, such payment shall be deemed to satisfy the Participating Company's obligation to pay Plan benefits beginning with the benefit which would next become payable under the Plan and continuing in the order in which benefits are so payable, until the payment from such other source is fully recovered. In determining the benefits satisfied by a payment described in clause (ii), Plan benefits, as they become payable, shall be discounted to their value as of the date such actual payment was made using an interest rate equal to the valuation interest rate for deferred annuities as last published by the Pension Benefit Guaranty Corporation prior to the date of such actual payment. If the benefits which actually become payable under this Plan, after applying the discount described in the preceding sentence, are less than the amount of the payment(s) described in clause (ii), any such shortfall shall not be collected from or enforced against the Executive or Participant as a claim by the Participating Company.

(3) The Board of Directors may at any time make changes in the Plan or terminate the Plan, but such changes or termination shall not adversely affect the rights of any employee or Participant, without his consent, to any benefit under the Plan to which such employee or Participant may have been previously entitled prior to the effective date of such change or termination. The Chairman or the Responsible Officer with the concurrence of the General Counsel of the Company shall be authorized to make minor or administrative changes to the Plan.

# CINGULAR WIRELESS CASH DEFERRAL PLAN

Effective: November 1, 2001

## ARTICLE 1 - STATEMENT OF PURPOSE

The purpose of the Cingular Wireless Cash Deferral Plan ("Plan") is to provide a select group of management employees of Cingular Wireless LLC ("CWLLC") and affiliate companies that participate in the Plan with an opportunity (i) to defer the receipt and income taxation of a portion of such individual's compensation; and (ii) to receive an investment return on those deferred amounts.

## ARTICLE 2 - DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context indicates otherwise:

ADMINISTRATOR. The Board or Committee, if such Committee is appointed, as determined by the Board. The Board/Committee may delegate administrative authority to the Chief Executive Officer, the senior Human Resources division officer or another individual. The Administrator may select an outside third party as the recordkeeper of the Plan.

AFFILIATE. Any corporation, partnership, venture or other entity in which Cingular Wireless or CWLLC holds, directly or indirectly, a 10% or greater ownership interest. The Administrator may, in its sole discretion, designate any other corporation, partnership, venture or other entity an Affiliate for the purpose of allowing it to participate in the Plan.

BASE SALARY. The annual base salary, as determined by the Administrator, paid by an Employer, before reduction due to any contribution pursuant to this Plan or reduction pursuant to any deferral plan of an Employer, including but not limited to a plan that includes a qualified cash or deferred arrangement under Section 401(k) of the Code.

Payments by an Employer under a Disability plan made in lieu of any Base Salary shall be deemed to be a part of the respective form of compensation it replaces for purposes of this definition. Base Salary does not include zone allowances or any other geographical differential and shall not include payments made in lieu of unused vacation or other paid days off, and such payments shall not be deemed to be contributed to this Plan.

BOARD. The Board of Directors of Cingular Wireless.

BONUS AWARD. An incentive award based on an assessment of performance, payable by the Employer to a Participant with respect to the Participant's services during a given fiscal year of the Employer. Such amounts shall be deemed earned only upon award by the Employer. For purposes of the Plan, "Bonus Award" shall not include incentive awards which relate to a period exceeding one (1) fiscal year.

BUSINESS DAY. Any day other than a Saturday, Sunday or a day on which banks in Atlanta, Georgia, are authorized or obligated by law or executive order to close.

CINGULAR WIRELESS. Cingular Wireless Corporation.

CODE. The Internal Revenue Code of 1986, as amended.

COMMITTEE. The Compensation Committee of the Board of Directors of Cingular Wireless, if such committee is appointed, or other committee with responsibility for oversight of the compensation and benefit programs.

CONTRIBUTION ACCOUNT. The accounting entry as to each Participant showing the amount of such Participant's Contributions, interest credits and Matching Contributions credited to such account.

CWLLC. Cingular Wireless LLC, a Delaware limited liability company, of which Cingular Wireless is the manager.

DISABILITY. Absence of an Employee from work with an Employer under the relevant Employer's disability plan, but only while such Employee is deemed by the Employer to be an Employee of such Employer.

ELIGIBLE EMPLOYEE. An Employee who:

(a) is a full time, salaried Employee who is on active duty, Disability or Leave of Absence,

(b) is, as determined by the Administrator, a member of the Employer's "select group of management or highly compensated employees" such that the Plan will qualify for treatment as a "Top Hat" plan within the meaning of ERISA,

(c) has an employment status which has been approved by the Administrator to be eligible to participate in this Plan and

(d) has been notified in writing by the Administrator that he is eligible to participate in the Plan.

Notwithstanding the foregoing, the Administrator may, from time to time, exclude any Employee or group of Employees from being deemed an "Eligible Employee" under this Plan.

In the event a court or other governmental authority determines that an individual was improperly excluded from the class of persons who would be considered Eligible Employees during a particular time for any reason, that individual shall not be an Eligible Employee for purposes of the Plan for the period of time prior to such determination.

EMPLOYEE. Any person classified as an "employee" according to the payroll and personnel records of an Employer, excluding persons hired for a fixed maximum term and excluding persons who are neither citizens nor permanent residents of the United States, all as determined by the Administrator. Individuals classified as leased employees or independent contractors according to an Employer's payroll and personnel records shall not be eligible to participate. For purposes of this Plan, a person on Leave of Absence who otherwise would be an Employee shall be deemed to be an Employee.

EMPLOYER. CWLLC or any Affiliates that adopt the Plan with the consent of the Chief Executive Officer.

ERISA. The Employee Retirement Income Security Act of 1974, as amended.

EXECUTIVE. An Employee who is in a position that is eligible to participate in the Employer's Executive Compensation Programs as determined by the Administrator.

LEAVE OF ABSENCE. Where a person is absent from employment with an Employer on a formally granted leave of absence (i.e., the absence is with formal permission in order to prevent a break in the continuity of term of employment, which permission is granted (and not revoked) in conformity with the rules of the Employer which employs the individual, as adopted from time to time). For purposes of this Plan, a Leave of Absence shall be deemed to also include a transfer of an individual to an entity that is not an Affiliate by an Employer for a rotational work assignment. In the event a transfer to such an entity lasts more than 5 years or the entity's rotational work assignment status is canceled by Cingular Wireless, it shall be deemed a Termination of Employment at that time for purposes of this Plan. To be a rotational work assignment, the Employer must have indicated in writing to the

individual that the individual was to be rehired by the Employer on termination of the rotational work assignment.

LONG-TERM INCENTIVE AWARD. An incentive award, based on an assessment of performance over a period greater than one (1) year, payable by the Employer to a Participant and shall be deemed earned only upon award by the Employer.

MATCHING CONTRIBUTIONS. The contributions credited to a Participant's Contribution Account pursuant to Section 4.4.

PARTICIPANT. An Eligible Employee or former Eligible Employee who participates in the Plan.

PARTICIPANT CONTRIBUTIONS. The amounts Eligible Employees are deemed to contribute, by deferring amounts otherwise payable to them, pursuant to Sections 4 of the Plan.

PLAN. Cingular Wireless Cash Deferral Plan.

RETIREMENT OR RETIRE. The Termination of Employment for reasons other than death or Disability, on or after the date on which (1) the Employee is first eligible, upon terminating employment, for retiree health coverage in accordance with the terms of the Employer's health plan; or (2) the Employee is eligible to retire under any other guidelines established by the Administrator.

SALES INCENTIVES. An incentive award, based on an assessment of performance under an approved sales incentive compensation plan, that is determined by the Administrator to qualify as eligible compensation under this Plan.

TERMINATION OF EMPLOYMENT. References herein to "Termination of Employment," "Terminate Employment" or a similar reference, shall mean the event where the Employee ceases to be an Employee of any Employer, including but not limited to where the employing company ceases to be an Employer.

## ARTICLE 3 - ADMINISTRATION OF THE PLAN

### 3.1 THE ADMINISTRATOR.

The Administrator will administer the Plan, interpret, construe and apply its provisions in accordance with its terms. The Administrator may further establish, adopt or revise such rules and regulations as such person may deem necessary or advisable for the administration of the Plan. References to determinations or other actions by the Administrator, herein, shall mean actions authorized by such person or his respective successors or duly authorized delegates, in each case in the discretion of such person. All decisions by the Administrator shall be final and binding.

### 3.2 CLAIMS PROCEDURE.

If a request for benefits by a Participant or beneficiary is wholly or partially denied, the Administrator will provide such claimant written notice setting forth the denial. A review procedure is available upon written request by the claimant to the Administrator within 90 days after the date of the Administrator's written notice of the denial of the claim, and includes the right to examine pertinent documents and submit issues and comments in writing to the Administrator. The decision on review will be made within 90 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 90 days, and shall be in writing. If a decision on review is not made within such period, the Participant's claims shall be deemed denied.

### 3.3 DECISIONS BINDING.

The Administrator shall have the exclusive discretion to construe and interpret the Plan and make all determinations hereunder. All determinations and decisions of the Administrator as to any disputed question arising under the Plan, including questions of construction and interpretation, shall be final, conclusive and binding on all parties and shall be subject to the fullest discretion afforded by law.

## ARTICLE 4 - CONTRIBUTIONS

### 4.1 EMPLOYEE ELECTION TO MAKE CONTRIBUTIONS.

(a) Each year, an Eligible Employee may make an election to make Participant Contributions with respect to Base Salary, Bonus Awards, Sales Incentives, or any other award eligible under this Plan, paid during the immediately following calendar year. The enrollment period for making such elections shall be established by the Administrator. Any such election is irrevocable.

(b) An Eligible Employee may elect to contribute from 6% to 30% (in whole percentage increments) of Base Salary, Bonus Awards, or eligible Sales Incentives, as the same may change from time to time, and such Participant Contributions shall be credited to his/her Contribution Account.

(c) An Eligible Employee who is an Executive may elect to contribute up to an additional 20% (in whole percentage increments) of Base Salary and/or up to an additional 45% of Bonus Awards, as the same may change from time to time, and such Participant Contributions shall be credited to his/her Contribution Account.

(d) An Eligible Employee who is an Executive may elect to contribute up to 75% (in whole percentage increments) of any Long-Term Incentive Award paid by Cingular Wireless, as the same may change from time to time, and such Participant Contributions shall be credited to his/her Contribution Account.

(e) The Administrator may refuse or terminate any election by an Eligible Employee to make Participant Contributions at any time; provided, however, only the Board/Committee may take such action with respect to persons who are "executive officers" of CWLLC. Page 9 of 9

### 4.2 DURATION AND CREDITING OF PARTICIPANT CONTRIBUTIONS.

(a) Participant Contributions (as well as any corresponding Matching Contributions) shall be made solely pursuant to a proper election and only during the Participant's lifetime and while the Participant remains an Eligible Employee (if the Participant ceases to be an Eligible Employee, his or her election to make Employee Contributions shall be cancelled); provided, however, Termination of Employment of an Eligible Employee shall not constitute loss of eligibility solely with respect to contribution of Base Salary, Bonus Awards, or Sales Incentives earned prior to termination but paid within 60 days thereafter or with respect to a Bonus or Long-Term Incentive Award paid after Retirement (and such person shall be deemed an Eligible Employee for such contributions).

(b) Participant Contributions shall be credited to a Contribution Account when the compensation would have otherwise actually been paid were it not for an election under this Plan. A contribution from any eligible payment that is delayed for any reason shall be credited when the delayed payment is made.

### 4.3 CREDITING OF INTEREST.

Interest is to be credited to the Participant's Contribution Account pursuant to the provisions of this Section 4.3 and the procedures adopted by the Administrator for crediting interest. The annual interest rate for each calendar year shall be a reasonable rate of interest as determined by the Vice President and Treasurer with the concurrence of the Chief Financial Officer. However, in no event will the interest rate for any calendar year be less than the Moody's Corporate Bond Yield Average as published by Moody's Investor Services, Inc. (or

any successor thereto) for the month ending two months prior to the month in which Eligible Employees make their annual deferral elections under the Plan.

4.4 MATCHING CONTRIBUTIONS.

When an Eligible Employee makes a Participant Contribution, his/her Contribution Account shall be credited with an amount found by multiplying the matching contribution rate provided in the Cingular Wireless 401(k) plan, including any special transition rates, by:

(a) 6% (or such other percentage as approved by the Committee) of the Participant Contributions; plus,

(b) 6% of any eligible compensation, excluding the Participant Contribution, that is in excess of the Code Section 401(a)(17) limits.

(c) 6% of any amount refunded to a participant from the Cingular Wireless 401(k) Saving Plans as a result of the Code Section 401(k) non-discrimination testing or other amounts determined within the discretion of the Administrator.

Compensation paid in the form of a Long Term Incentive Award is not eligible for Matching Contributions.

ARTICLE 5 - OTHER COMPENSATION AWARDS

5.1 OTHER COMPENSATION AWARDS.

(a) Any Eligible Employee who (i) would receive from an Employer a distribution of cash pursuant to any plan or award specifically permitted to be contributed to this Plan by the Administrator and (ii) has not recognized any part of such distribution as income for Federal income taxation purposes, may make an election, during an enrollment period as determined by the Administrator, to convert such distribution into a contribution under this Plan, provided such person remains an Eligible Employee at the time of such contribution. Distribution of such contributions shall be governed solely by the provisions of this Plan. The Administrator may refuse or terminate any election under this Section 5.1 at any time; provided, however, only the Board/Committee may take such action with respect to persons who are "executive officers" of CWLLC.

(b) In no event shall a Contribution pursuant to this Section 5.1 result in the crediting of Matching Contributions.

ARTICLE 6 - DISTRIBUTIONS

6.1 EMPLOYEE DISTRIBUTIONS FROM PARTICIPANT ACCOUNTS AT TERMINATION OF EMPLOYMENT.

Eligible Employees shall designate the time for a distribution from their Participant Accounts during the enrollment period. Eligible Employees may elect to receive a distribution according to the following guidelines:

Participants may elect to receive a distribution from their account at Termination of Employment. Participants, who are eligible for Retirement at the time of their Termination of Employment, may elect to receive their distributions in 1 to 10 payments beginning in March of the year following termination of Employment.

Participants, who are not eligible for Retirement at the time of Termination of Employment, may elect to receive their distributions in 1 to 3 payments beginning in March of the year following Termination of Employment.

If Participants do not have a valid election on file, distributions will be made in 10 payments, for Participants who are eligible for Retirement at the time of Termination of Employment, and 3 payments, for Participants who are not eligible for Retirement at the time of separation.

6.2 EMPLOYEE ELECTIONS TO RECEIVE DISTRIBUTIONS FROM PARTICIPANT ACCOUNTS PRIOR TO TERMINATION OF EMPLOYMENT.

In lieu of an election to receive a distribution at Termination of Employment, Eligible Employees may elect to receive a distribution from their Participant Accounts prior to Termination of Employment. Such election must be made during the enrollment period. Eligible Employees may elect to receive an "in-service" distribution according to the following guidelines:

Participants may elect to receive an in-service distribution in any year of an 8 year period beginning in the third year following the year of the deferrals. For example, for deferrals in 2002, in-service distributions can be elected in 2005 through 2012.

All in-service distributions will be paid in March of the year of the requested distribution. The total value, consisting of Participant and Company Match Contributions plus accrued interest as of March 1 (the Valuation Date) related to the specific deferral, will be paid in a single payment.

Notwithstanding any of the provisions of this paragraph 6.2, if a Participant terminates employment prior to a scheduled in-service distribution, value of the Employee's Contribution Account will be distributed in accordance with the guidelines for a distribution at Termination of Employment.

6.3 DISTRIBUTIONS FROM PARTICIPANT ACCOUNTS.

(a) All distributions will be based on the value of the Employee's Contribution Account as of March 1 (or such other date as determined by the Administrator) of the year of the distribution. Generally, Participants should receive distribution payments within 10 workdays.

(b) Multi-year distributions will be based on the Value of the Employee's Contribution Account as of March 1 (or such other date as determined by the Administrator). Distributions are to be equal to the Participant's Contribution Account balance divided by the number of remaining distributions.

(c) Notwithstanding the provisions of (a) or (b) above or any provision in the Plan, if the Value of the Employee's Contribution Account is (1) less than $50,000 as of March 1 of the year of the initial distribution payment, the number of multi-year payments can not exceed three, or (2) less than $10,000 of the year of the initial distribution, the total Contribution Account balance will be paid in a single payment.

6.4 REVOKED OR AMENDED ELECTIONS.

A Participant, who has previously elected to receive a distribution prior to Termination of Employment, may revoke such election during an enrollment period as specified by the Administrator. Generally, the enrollment period for revoking such elections will be prior to the year preceding the year of the distribution. If an election to receive a distribution prior to Termination of Employment is revoked, the value of the distribution will remain in the Employee's Contribution Account and will be distributed at Termination of Employment and no further changes may be elected at any time.

A Participant who has elected to receive a distribution at Termination of Employment, may amend that election to change the number of distribution payments to be received following a Termination of Employment. To be valid, a revised election must be submitted during the enrollment period prior to the year preceding the year of the distribution.

In the event the Participant incurs a Termination of Employment for reasons other than Retirement, the Administrator may, at its sole discretion, accelerate the distribution of all or part of the Participant's Account to the date of the Administrator's choosing, without notice to, or the consent of, the Participant.

6.5 DESIGNATION OF BENEFICIARY; DISTRIBUTIONS AT DEATH.

Each Participant may designate a beneficiary or beneficiaries (who may be named contingently or successively) who, upon the Participant's death, will receive the amounts that otherwise would have been paid to the Participant under the Plan. All designations shall be signed by the Participant, and shall be in such form as prescribed by the Administrator. Each designation shall be effective as of the date received from the Participant.

Participants may change their designations of beneficiary on a form prescribed by the Administrator. The payment of amounts deferred under the Plan shall be in accordance with the last unrevoked written designation of beneficiary that has been signed by the Participant and delivered by the Participant to the Administrator or a designated third party.

In the event that all the beneficiaries named by a Participant pursuant to this Section 6.5 predecease the Participant, the deferred amounts that would have been paid to the Participant or the Participant's beneficiaries shall be paid to the Participant's estate.

In the event a Participant does not designate a beneficiary, or for any reason such designation is ineffective, in whole or in part, the amounts that otherwise would have been paid to the Participant or the Participant's beneficiaries under the Plan shall be paid to the Participant's estate.

In the event of death, the Participant's Contribution Account will be paid in 1 to 10 payments, as specified by the Participant on the Beneficiary Designation Form, subject to the rules contained in Section 6.3(c). If no Beneficiary Designation Form is on file, payments will be made in a single lump sum payment.

6.6 INELIGIBLE PARTICIPANT.

Notwithstanding any other provisions of this Plan to the contrary, if the Administrator or CWLLC receives an opinion from counsel selected by CWLLC, or a final determination is made by a Federal, state or local government or agency, acting within its scope of authority, to the effect that an individual is not, or was not at the time of his or her making Participant contributions to this Plan, to be a "management or highly compensated employee" within the meaning of ERISA, then such person will not be eligible to participate in this Plan and shall receive an immediate distribution of contributions and interest thereon corresponding to the vested portion of his or her account. Upon such distribution, no other distribution shall thereafter be payable under this Plan either to the individual or any beneficiary of the individual.

6.7 DISTRIBUTION PROCESS.

As to a Participant's deferrals of cash compensation, the payment of which would have been deductible by an Employer under Section 162(m) of the Code, regardless of the size of the cash compensation, shall be deemed to be distributed first.

ARTICLE 7 - DISCONTINUATION, TERMINATION, AMENDMENT.

CWLLC hereby reserves the right to amend, modify or terminate the Plan at any time by action of the Board of Directors. Notwithstanding the foregoing, the Senior Vice President of Human Resources may make ministerial amendments to the plan to conform the plan to the intent of the Administrator.

The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly compensated" within the meaning of Sections 201, 301 and 401 of ERISA, and therefore be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Board may terminate the Plan and commence termination payout for all or certain Participants, or remove certain employees as Participants, if it is determined by the United States Department of Labor or a court of competent jurisdiction that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt. If payout is commenced pursuant to the operation of this Article 7, the payment of such amounts shall be made in a lump sum regardless of the manner selected by each Participant under Article 6 herein as applicable.

ARTICLE 8 - MISCELLANEOUS

8.1 TAX WITHHOLDING.

Upon distribution the Administrator shall withhold amounts required to satisfy the Federal, state, and local taxes required by law to be withheld as a result of such distribution.

8.2 ELECTIONS AND NOTICES.

Notwithstanding anything to the contrary contained in this Plan, all elections and notices of every kind shall be made on forms prepared by the Administrator or made in such other manner as permitted or required by the Administrator, including through electronic means, over the Internet or otherwise. An election shall be deemed made when received by the Administrator, which may waive any defects in form. Unless made irrevocable by the electing person, each election with regard to making Participant contributions or distributions shall become irrevocable at the close of business on the last day to make such election. The Administrator may limit the time an election may be made in advance of any deadline.

Any notice or filing required or permitted to be given to CWLLC under the Plan shall be delivered to the principal office of CWLLC, directed to the attention of the Senior Executive Vice President-Human Resources of CWLLC or his or her successor. Such notice shall be deemed given on the date of delivery.

Notice to the Participant shall be deemed given when mailed (or sent by telecopy) to the Participant's work or home address as shown on the records of CWLLC or, at the option of the Administrator, to the Participant's e-mail address as shown on the records of CWLLC. It is the Participant's responsibility to ensure that the Participant's addresses are kept up to date on the records of CWLLC. In the case of notices affecting multiple Participants, the notices may be given by general distribution at the Participants' work locations.

8.3 RIGHTS OF PARTICIPANTS; UNSECURED GENERAL CREDITOR.

The Plan shall create a contractual obligation on the part of CWLLC to make payments from the Participant's accounts when due. Payment of account balances shall be made out of the general funds of the CWLLC.

Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any property or assets of any Employer. No assets of any Employer shall be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of any Employer under this Plan. Any and all of each Employer's assets shall be, and remain, the general, unpledged, unrestricted assets of such Employer. The only obligation of an Employer under the Plan shall be merely that of an unfunded and unsecured promise of CWLLC to distribute amounts deferred and interest theron under the Plan.

CWLLC may establish one or more trusts, with such trustee(s) as the Administrator may approve, for the purpose of providing for the payment of deferred amounts. Any such trust created by the CWLLC will conform to the terms of the model trust approved by the Internal Revenue Service pursuant to Revenue Procedure 92-64, or any amendment thereof or successor to the claims of the CWLLC's general creditors. To the extent any deferred amounts under the Plan are actually paid from any trust, the CWLLC shall have no further obligation with respect thereto, but to the extent not so paid, such deferred amounts shall remain the obligation of, and shall be paid by, CWLLC.

8.4 OFFSET.

The Administrator may offset against the Contribution Account otherwise distributable to a Participant, any amounts due an Employer by a Participant, including but not limited to

overpayments under any compensation or benefit plans.

8.5 NON-ASSIGNABILITY.

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt of such amounts under the Plan, if any, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the Participant's Contribution Account, prior to actual distribution, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

8.6 EMPLOYMENT NOT GUARANTEED.

Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any employee any right to be retained in the employ of an Employer.

8.7 ERRORS.

At any time the Administrator may correct any error made under the Plan without prejudice to CWLLC, Cingular Wireless or any Affiliates. Such corrections may include, among other things, refunding contributions to a Participant with respect to any period he or she made Participant Contributions while not an Eligible Employee, or canceling the enrollment of a non-Eligible Employee.

8.8 CAPTIONS.

The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control nor affect the meaning or construction of any of its provisions.

8.9 GOVERNING LAW.

To the extent not preempted by ERISA, this Plan shall be governed by and construed in accordance with the substantive laws of the State of Georgia, excluding any conflicts or choice of law rule or principle that might otherwise refer constructive or interpretation of this Plan to provisions of the substantive law of any jurisdiction other than the State of Georgia. Any action seeking to enforce the rights of an employee, former employee or person who holds such rights through, from or on behalf of such employee or former employee under this Plan may be brought only in a Federal or state court located in Fulton County, Georgia.

8.10 VALIDITY.

In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

8.11 SUCCESSORS AND ASSIGNS.

This Plan shall be binding upon CWLLC and Affiliates that have adopted the Plan, and their successors and assigns.

**CINGULAR WIRELESS**
**LONG TERM COMPENSATION PLAN**
(As Amended and Restated
Effective as of November 1, 2007)

1.0 Purpose.

The purpose of the Cingular Wireless Long Term Compensation Plan (the "Plan") is to provide Executives and Non-Executives with long term compensation as set forth in the Plan and subject to additional objectives and requirements that may be determined and set forth by the Administrator. The Plan, originally effective January 1, 2002, was amended and restated in its entirety effective January 1, 2003, and January 1, 2004, and is further amended and restated in its entirety effective January 1, 2005 as set forth herein.

2.0 Definitions.

Each term set forth in this Section 2.0 shall have the respective meaning set forth opposite such term for purposes of this Plan, and when the defined meaning is intended the term is capitalized.

"Administrator" means the Board, the Compensation Committee, or the Company Administrator, as applicable.

"AT&T" means AT&T Inc.

"Award" means a final award payable under Section 6.0 following approval by the Administrator.

"BellSouth" means BellSouth Corporation.

"Beneficiary" means the person designated by an Executive to receive any Award paid following the Executive's death as determined pursuant to Section 8.2.

"Board " means the Board of Directors of the Cingular Wireless Corporation.

"Cause" means willful and gross misconduct on the part of a Participant that is materially and demonstrably detrimental to the Company (or any subsidiary or affiliate of the Company) as determined by the Company in its sole discretion.

"Chief Executive Officer" means the Chief Executive Officer of the Company.

"Chief Financial Officer" means the Chief Financial Officer of the Company.

"Chief Operating Officer" means the Chief Operating Officer of the Company.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Compensation Committee" means a committee of the Board which satisfies the requirement of Section 162(m)(4)(C)(i) of the Code and has responsibility for oversight of the Company's compensation and benefits programs.

"Company" means Cingular Wireless LLC, a Delaware limited liability company.

"Company Administrator" means the Chief Executive Officer or a person designated by the Chief Executive Officer 1) to administer the Plan for Executives other than the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and Executives who are direct reports to the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, and 2) to administer the Plan for Non-Executives.

"Consolidated EBITDA" means consolidated earnings before interest, taxes, depreciation and amortization for the Plan Year for which an Award based on Performance Units or Performance Stock Units is paid, as determined through the audited consolidated statement of income of the Company, adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment (other than provisions for operating losses or income during the phase-out period), unusual or infrequently occurring events and transactions that have been publicly disclosed and the cumulative effects of changes in accounting principles, all as determined in accordance with generally accepted accounting principles.

"Corporation" means Cingular Wireless Corporation, a Delaware corporation.

"Covered Employee" means a Participant whom the Compensation Committee deems may be or become a "covered employee," as defined in Section 162(m)(3) of the Code, for any Plan Year that such Award may result in remuneration to the Participant and for which Plan Year such Participant may receive remuneration over $1 million which would not be deductible under Section 162(m) of the Code but for the provisions of the Plan and any other "qualified performance-based compensation" plan (as defined under Section 162(m) of the Code of the Company; provided, however, that the Compensation Committee may determine that a Participant has ceased to be a Covered Employee prior to payment of any Award.

"Disability" means being eligible for and approved for Long Term Disability benefits under the Company's group long term disability plan for employees.

"Dividend Equivalent Payments" means a cash payment equal to the dividends paid on a common share of BellSouth or AT&T stock during the Performance Period. The Administrator shall determine when dividend equivalent payments are to be paid.

"Executive" means any executive employee of the Company or any Subsidiary who is a member of the executive compensation group under the Company's compensation practices and who is identified by the Administrator, in its sole discretion, as eligible to participate in the Plan, and is notified by the Administrator that he is eligible to participate in the Plan.

"Fair Market Value" shall mean the closing price on the New York Stock Exchange ("NYSE") for Shares on the relevant date, or if such date was not a trading day, the next preceding trading date, all as determined by the Administrator. A trading day is any day that the Shares are traded on the NYSE. In lieu of the foregoing, the Administrator may select any other index or measurement to determine the Fair Market Value of the Shares under the Plan.

"Grant or Grants" means a grant of Performance Units, Performance Stock Units, Restricted Stock Units or SA Units to a Participant from the Administrator pursuant to the provisions of Section 6.0 of the Plan.

"Non-Executive" means any employee that is not a member of the executive compensation group under the Company's compensation practices and who is identified by the Administrator , in its sole discretion, as eligible to participate and who is notified by the Administrator that his is an eligible participant in the Plan.

"Participant" means any Executive or Non-Executive who is eligible to participate in this Plan as determined by the Administrator and is notified in writing by the Administrator that he is eligible to participate in the plan. Individuals classified, according to the Company's personnel or other records, as leased employees, independent contractor, temporary agency employees or temporary employees shall not be eligible to participate in the Plan, even if they are deemed to be common law employees.

"Performance Stock Units" or "PS Units" shall mean units granted to Participants with the value of each unit determined by the stock prices of a Share of common stock of BellSouth and AT&T as of the Valuation Date pursuant to Section 6.1 of the Plan. Each Performance Stock Unit shall be eligible to receive Dividend Equivalent Payments as determined by the Administrator. Performance Stock Units do not have any ownership or voting rights related to the underlying Shares of common stock of BellSouth or AT&T.

"Performance Units" shall mean cash units awarded to Participants pursuant to this Plan.

"Plan" means this Cingular Wireless Long Term Incentive Plan, as amended from time to time.

"Plan Year" means the calendar year.

"Retirement" means the termination of employment for reasons other than Death or Disability, on or after the date on which (1) the Participant is first eligible, upon Termination of Employment, for retiree health coverage in accordance with the terms of the Company's health plan (or the health plans of AT&T Inc. ("AT&T") or BellSouth Corporation ("BellSouth") with respect to certain Participants who transferred from BellSouth and AT&T to Cingular Wireless LLC ("Cingular") as part of the formation of Cingular and met certain age and service requirements at the time of their contribution to Cingular and whose retiree health coverage will be provided by either BellSouth or AT&T) all as determined by the Company's health plan and the administrator of such plan, in its sole discretion, (2) a Participant (who is also a participant in the AT&T 2006 Incentive Plan) is considered by AT&T Inc. to be eligible for "Retirement," for purposes of the AT&T 2006 Incentive Plan or (3) the Participant is eligible to retire under any other guidelines established by the Administrator.

"Restricted Stock Units" or "RS Units" shall mean units granted to Participants with the value of each unit determined by the stock prices of a Share of common stock of BellSouth and AT&T as of the Valuation Date pursuant to Section 6.3 of the Plan. Each Restricted Stock Unit shall be eligible to receive Dividend Equivalent Payments as determined by the Administrator. Restricted Stock Units do not have any ownership or voting rights related to the underlying Shares of common stock of BellSouth or AT&T.

"SA Units" or "Stock Appreciation Units" shall mean the stock appreciation units granted to Participants pursuant to Section 6.2 of the Plan.

"SA Unit Exercise Date" means the date on which exercise of a SA Unit occurs under the Plan.

"SA Unit Exercise Price" means the Fair Market Value of a Share on the SA Unit Exercise Date.

"SA Unit Grant Date" means the date on which a SA Unit is granted to a Participant under the Plan.

"SA Unit Grant Price" means the Fair Market Value of a Share on the SA Unit Grant Date.

"Shares" means shares of common stock of BellSouth or AT&T, as applicable, under Section 6.2 of the Plan. When granting Restricted Stock Units, Performance Stock Units, or SA Units, the Administrator, in its discretion, shall determine the percentage of each Performance Stock Unit, Restricted Stock Unit or SA Unit that is attributable to BellSouth Shares and AT&T Shares, respectively.

"Subsidiary" means any corporation, joint venture or partnership in which the Cingular Wireless owns directly or indirectly (i) with respect to a corporation, stock possessing at least ten percent ( 10% ) of the total combined voting power of all classes of stock in the corporation, or (ii) in the case of a joint venture or partnership, a ten percent ( 10% ) or more interest in the capital or profits of such joint venture or partnership.

"Termination of Employment" means the event where the Participant is no longer an employee of the Company or of any Subsidiary or member of the Company's controlled group of corporations or entities as determined by the Code.

"Valuation Date" shall mean the date on which the Valuation Price of each Restricted Stock Unit or Performance Stock Unit is determined.

"Valuation Price" shall mean the value of each Restricted Stock Unit or Performance Stock Unit based on the average of the closing prices on the New York Stock Exchange ("NYSE") for Shares for the 10 trading days preceding the Valuation Date. A trading day is any day that the Shares are traded on the NYSE. In lieu of the foregoing, the Administrator may select any other 10 day trading period to determine the value of each Restricted Stock Unit or Performance Stock Unit.

3.0 Effective Date.

The Plan was originally effective beginning for Awards granted for the 2002 Plan Year. The Plan was amended and restated effective January 1, 2003 and January 1, 2004, and further amended and restated as set forth herein effective January 1, 2005 and shall remain in effect until terminated by the Board.

4.0 Administration.

This Plan shall be administered by the Board or Compensation Committee, as applicable, for the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and any Executive who is a direct report to the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officer. The Plan shall be administered by the Company Administrator for all other Executives and Non-Executives. The Administrator shall (a) determine who is an eligible Participant under the Plan, (b) determine the number of Grants made under the Plan to each Participant, (c) determine the Performance Goals (as defined in Section 6.1(d) for determining Awards, (d) determine the terms and conditions of all Grants under the Plan, (e) determine the Fair Market Value of Shares, (f) approve and provide for payment for all Awards, (g) establish the Valuation Date and the Valuation Price, (h) interpret the Plan, and (i) make all other decisions relating to the operation of the Plan. The Administrator's actions and determinations under the Plan shall be completely at its sole, absolute and final discretion, and all such actions and determinations shall be final and binding on all persons. No Administrator shall be personally liable for any action, determination, or interpretation with respect to the Plan or Awards. All Administrators shall be protected and indemnified by the Company, to the fullest extent permitted by applicable law, in respect of any such action, determination or interpretation. The Administrator may adopt such regulations and guidelines as it deems are necessary or appropriate for the administration of the Plan.

5.0 Eligibility .

Participants shall be eligible for Awards under this Plan. Executives are not rendered ineligible by reason of being a member of the Board. The Administrator may establish such additional rules for eligibility as it determines are appropriate. The actual payment of an Award to any eligible Participant shall be at the discretion of the Administrator as provided in Sections 4.0, 6.3 and related sections of the Plan.

6.0 Grants and Payment of Awards

6.1 Performance Units or Performance Stock Units

(a) Grants of Performance Units or Performance Stock Units . Subject to the terms of the Plan, Performance Units or Performance Stock Units may be granted to Participants at any time and from time, as determined by the Administrator. The Administrator shall have complete discretion in determining the number of Performance Units or Performance Stock Units granted to each Participant and the conditions for the receipt of an Award based on a Grant of Performance Units or Performance Stock Units.

(b) Value of Performance Units or Performance Stock Units . A Performance Unit shall be equal in value to a fixed dollar amount determined by the Administrator. A Performance Stock Unit shall be equal in value to the Valuation Price on the Valuation Date as determined by the Administrator. The Valuation Price shall be used in establishing the cash payment to be paid once the vesting requirements as adopted by the Administrator have been satisfied.

(c) Performance Period . The Performance Period for Performance Units or Performance Stock Units is the period over which the Performance Goals are measured. The

Performance Period shall be set by the Administrator for each Grant; however, in no event shall a Grant have a Performance Period of less than two Plan Years.

(d) Performance Goals . For each Grant of Performance Units or Performance Stock Units, the Administrator shall establish performance objectives ("Performance Goals") for determining whether Awards based on Performance Units or Performance Stock Units are payable. Performance Goals shall include payout tables, formula or other any other standards determined by the Plan Administrator, in its sole discretion, to be used in determining the extent to which the Performance Goals are met and Awards are payable.

(e) Awards Based on Performance Units or Performance Stock Units. The amount of any Award to be paid to an eligible Participant shall be determined by the Administrator in its discretion as set forth in Section 4.0 based on the attainment of Performance Goals, subject only to the limits of Section 6.1(f). Awards shall be based on and payable for a Performance Period. All Awards for a Performance Period determined by the Administrator under this Section 6.1 shall be paid by the Company and its Subsidiaries in cash as soon as is practicable following Administrator certification as provided in Section 6.1(g). Except as otherwise determined by the Administrator, a Participant must be actively employed by the Company on the last day of the last Plan Year of any Performance Period and on the date of payment of any Award as a condition precedent to the receipt of any Award. Participants not meeting this requirement will be considered to have not met the requirements for receipt of the Award and shall not be paid such Award. Notwithstanding this condition and requirement, Participants who do not meet this condition due to Death, Retirement or Disability, shall be entitled to the receipt of a pro-rated payment for the Performance Period. No other partial or pro-rated payments are permitted under the Plan. In the event of the Participant's death, any Award payable shall be made to the Participant's Beneficiary, as governed by Section 7.2. The Administrator shall have the sole discretion to determine the date on which payments are made. Awards payable to Participants who incur a Termination of Employment on or after November 1, 2007, shall be governed the provisions of Appendix A to the Plan.

(f) Dividend Equivalent Payments related to Performance Stock Units . Participants shall be eligible to receive Dividend Equivalent Payments for each Performance Stock Unit that has been granted to a Participant. All Dividend Equivalent Payments will be settled in cash. The Administrator shall have the sole discretion to determine the date on which payments are made and sole discretion to determine if the Dividend Equivalent Payments are subject to Performance Goals. The Administrator also reserves the discretion to reduce or eliminate the amount of Dividend Equivalent Payments payable to a Participant following the Participant's Termination of Employment.

(g) Application of Section 162(m) to Performance Units or Performance Stock Units .

(1) In the event that the Company becomes subject to the requirements of Section 162(m) of the Code, Awards payable to Covered Employees after such time shall constitute "qualified performance-based compensation" and shall be subject to the achievement of an overall performance goal based on Consolidated EBITDA in order that payments are deductible under Section 162(m) of the Code.

(2) In the event the Company becomes subject to the provisions of Section 162(m) of the Code, Awards payable after such time to Covered Employees shall only be payable under this Plan for a Plan Year if the Company has positive Consolidated EBITDA for the Plan Year. Furthermore, the maximum award that may be payable under this Plan for a Plan Year (i) to a Covered Employee who is the Chief Executive Officer for any part of the Plan Year, and (ii) to each other Covered Employee will be (i) 0.5% and (ii) 0.3%, respectively, of Consolidated EBITDA for the Plan Year. This resulting amount for any Plan Year shall be the limit established for purposes of Section 162(m) of the Code, and the actual amount paid to any Executive shall only be that amount, if any, determined by the Administrator under Sections 6.1 and related sections of the Plan.

(3) In the event that Awards payable to any Covered Employee become subject to the limitations of Section 6.1(f)(2) above, the Compensation Committee shall determine the maximum amounts that may be paid under Section 6.1(f)(2) for the Plan Year to any Covered Employee and shall certify that any Awards determined under Section 6.1 are within such limits.

(h) Deferral of Awards Based on Performance Units or Performance Stock Units . Payments may be subject to deferral under any deferral plan established by the Company for this purpose, provided that in the event Section 162(m) is applicable, any additional amounts credited to any Covered Employee under any such deferral plan or program during the period of deferral shall be determined based either on a reasonable rate of interest or on a specific investment or deemed investment, including Company stock, as may be determined by the Compensation Committee within the limits of the regulations under Section 162(m) of the Code.

6.2 Stock Appreciation Units

(a) Grants of Stock Appreciation Units . Subject to the terms of the Plan, Stock Appreciation Units may be granted to Participants at any time and from time to time, as determined by the Administrator. The Administrator shall have complete discretion in determining the number of SA Units awarded to each Participant.

(b) Vesting of SA Units . Participants shall vest in SA Units according to the vesting schedule adopted by the Administrator. In the event of a Participant's Death, Retirement or Disability, all outstanding SA Units shall become fully vested.

(c) Exercise of SA Units . Subject to subsection (d) below, SA Units, once vested, shall be exercisable over the period established by the Administrator, which period shall not exceed (10) years from the date the SA Units are granted.

(d) Lapse of SA Units .

(1) Termination of Employment . In the event of his termination of employment with the Company for any reason, a Participant's vested SA Units shall lapse at the end of the three month period following the Participant's termination date or the remaining life of the SA Unit, whichever is earlier. A terminated Participant's unvested options shall lapse on his termination date. Any lapsed SA Units shall be void, without value and unexercisable.

(2) Termination of Employment Due to Retirement, Death or Disability . Notwithstanding the foregoing subsection, the vested SA Units of Participant who terminates employment with the Company on account of Death, Retirement or Disability shall lapse at the end of the five year period following the Participant's Death, Retirement or Disability or the remaining life of the SA Unit, whichever is earlier.

(e) Payment of Award at Exercise . Upon the exercise and settlement of a SA Unit in accordance with the terms of this Plan and other requirements set forth by the Administrator, the Participant shall receive a payment equal to the excess, if any, of the SA Unit Exercise Price for the number of SA Units being exercised at that time over the SA Unit Grant Price for such SA Units. Such payment shall be made in cash. The Administrator shall have the sole discretion to determine the date on which payments are made. The Administrator also reserves the discretion to reduce or eliminate the amount of Dividend Equivalent Payments payable to a Participant following the Participant's Termination of Employment.

(f) Transferability During Lifetime . During the lifetime of a Participant to whom SA Units have been granted, only the Participant (or such Participant's legal representative) may exercise such Grant and receive payment of an Award. No Grant of SA Units may be sold, assigned, transferred, exchanged, or otherwise encumbered or made subject to any creditor's process, whether voluntary, involuntary or by operation of law, and any attempt to do shall be of no effect.

(g) Transferability Upon Death . In the event of a Participant's death, all of such person's outstanding SA Unit Grants will transfer to the maximum extent permitted by law to such person's Beneficiary (subject to the provisions of Section 7.2 of the Plan) subject to additional rules and restrictions that may be adopted by the Administrator.

(h) Application of Section 162(m) on SA Units . In the event the Company becomes subject to the provisions of Section 162(m) of the Code, Awards based on SA Units shall constitute "qualified performance based compensation" and the maximum Grant that may be made to a Covered Employee under the Plan for a Plan Year is 750,000 SA Units.

6.3 Restricted Stock Units

(a) Grants of Restricted Stock Units . Subject to the terms of the Plan, Restricted Stock Units may be granted to Participants at any time and from time to time, as determined by the Administrator. The Administrator shall have complete discretion in determining the number of RS Units awarded to each Participant.

(b) Vesting of RS Units . Participants shall vest in RS Units according to the vesting schedule adopted by the Administrator. The date on which the vesting schedule is fulfilled shall be the Valuation Date.

(c) Value of RS Units . A Restricted Stock Unit shall be equal in value to the Valuation Price on the Valuation Date as determined by the Administrator. The Valuation Price shall be used in establishing the cash payment to be paid once the vesting requirements as adopted by the Administrator have been satisfied.

(d) Awards Based on Restricted Stock Units . Once the vesting requirement adopted by the Administrator has been fulfilled, an Award shall be paid to an eligible Participant based on the Valuation Price on the Valuation Date as determined by the Administrator. All Awards shall be paid by the Company and its Subsidiaries in cash as soon as is practicable following the Valuation Date. Except as otherwise determined by the Administrator, a Participant must be actively employed by the Company on the Valuation Date to receive an Award. Any unvested Grant will be cancelled following separation of employment. Notwithstanding this condition and requirement, Participants who do not meet this condition due to Death, Retirement or Disability, shall be entitled to the receipt of a pro-rated Award. In the event of the Participant's death, any Award payable shall be made to the Participant's Beneficiary, as governed by Section 7.2. The Administrator shall have the sole discretion to determine the date on which payments are made. Awards payable to Participants who incur a Termination of Employment on or after November 1, 2007, shall be governed the provisions of Appendix A to the Plan.

(e) Dividend Equivalent Payments related to Restricted Stock Units . Participants shall be eligible to receive Dividend Equivalent Payments for each unvested Restricted Stock Unit that has been granted to a Participant. All Dividend Equivalent Payments will be settled in cash. The Administrator shall have the sole discretion to determine the date on which payments are made.

(f) Maximum Grant . The maximum Grant of RS Units that can be made to a Participant is 250,000 RS Units.

6.4 Complete Discretion . Notwithstanding any other provision in this Plan or related documents, the Administrator shall, at all times, have the sole and complete discretion to determine whether any Awards are to be paid under the Plan, the amount of any such Awards and the recipient of any such Awards.

7.0 Miscellaneous Administrative Provisions.

7.1. Amendment and Termination. The Administrator shall have the unilateral right to amend, modify, suspend or terminate the Plan at any time for any reason; provided, that in the event Section 162(m) is applicable, approval by shareholders shall be required as provided in the regulations under Section 162(m) of the Code for any amendment that would have the effect of changing the class of employees eligible for consideration for Awards under Section 5.0, materially changing the definition of Consolidated EBDITA, changing the formula in Sections 6.1(f)(2) and 6.2(h) for determining the maximum amount of Grants or Awards paid to any Executive or changing the provisions of Section 6.1(g) regarding the credit of additional amounts on deferred Awards.

7.2. Beneficiary . A Participant may name, from time to time, any beneficiary or beneficiaries (which may be named contingently or successively) as his or her Beneficiary for purposes of the Plan. Each designation shall be on a form prescribed by the Administrator, will be effective only when delivered to the Company, and when effective will revoke all prior designations by the Participant. If a Participant dies with no such beneficiary designation in effect, or if the Administrator determines that there is any question about the legal right of the designated beneficiary , such Participant's Beneficiary shall be his or her estate. The Administrator shall set forth additional rules and requirements regarding the rights of Beneficiaries to receive payment of an Award or exercise a vested SA Unit following the Participant's death.

7.3. No Right to Awards. No person shall have any claim to receive a Grant or to be paid an Award under the Plan and there is no obligation for uniformity of treatment of eligible Participants under the Plan. The selection of a Participant to receive Grants or be paid Awards and the amount and payment of Awards rests completely in the absolute and final discretion of the Administrator. The Administrator's discretion is limited only by the maximum amount of a Grant or Award that it may pay as provided in Sections 6.1(f)(2) and 6.2(h), if applicable. Neither the existence of this maximum, nor any prior practice by the Administrator as to the payment or amount of awards, creates an obligation by the Committee to pay any award for any Plan Year or to pay an award equal to the maximum or any other amount

7.4 No Right to Employment/Continued Service or Awards . The making of a Grant or payment of an Award under the Plan shall impose no obligation on the Company or any Subsidiary to continue the employment or service of a Participant and shall not lessen or affect the Company's or Subsidiary's right to terminate the employment or service of such Participant. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Grants and Awards and the Administrator's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

7.5. No Funding. This Plan shall be unfunded and no assets of the Company or a Subsidiary shall be segregated for the purpose of paying any Awards.

7.6. Taxes or Deductions. The Company or any Subsidiary shall withhold from any payment under the Plan such taxes as it deems are sufficient to cover any withholding taxes that may become required with respect to such payment. The Company or any Subsidiary shall have the right to require the payment to it of any such taxes and require that any person furnish information deemed necessary by such company to meet any tax reporting obligation before making any payment under the Plan. The Company shall also withhold any other authorized or required amounts or deductions.

7.7 Other Incentive Plans . Nothing in this Plan shall prevent the Company and its subsidiaries from maintaining other incentive compensation plans providing for the payment of incentive awards to employees, provided that the requirements of Section 162(m), if applicable, are met by the Company in the administration and operation of such other plans.

7.8 Company Benefit Plans. The terms of the Company's benefit plans shall determine whether Awards are included as compensation or earnings under the particular benefit plan.

7.9 Governing Law and Venue. This Plan and all related documents shall be governed by the laws of the State of Georgia, without regard to the conflict of laws provisions thereof (except to the extent provisions of federal law may be applicable). Acceptance of a Grant shall be deemed to constitute consent to the jurisdiction and venue of the Superior Court of Fulton County, Georgia and the United States District Court for the Northern District of Georgia for all purposes in connection with any suit, action, or other proceeding relating to such Grant or a corresponding Award, including the enforcement of any rights under this Plan or other document, and shall be deemed to constitute consent to any process or notice of motion in connection with such proceeding being served by certified or registered mail or personal service within or without the State of Georgia, provided a reasonable time for appearance is allowed.

**Appendix A**

**Terminations of Employment on or After November 1, 2007**

Notwithstanding the provisions of Sections 6.1(e) and 6.3(d) of the Plan requiring a Participant to be actively employed on the last day of the Plan Year of any Performance Period and on the date of payment of any Award as a condition precedent to the payment of an Award (and the provisions related to payments in the event of Death, Disability and Retirement), Participants who do not meet these requirements due to a Termination of Employment on or after November 1, 2007, shall be eligible to receive the following payments for a Performance Period:

| Reason for Termination of Employment | Payment of Performance Units, Performance Stock Units or Restricted Stock Units Granted for a Performance Period |
|---|---|
| Death or Disability (not eligible for Retirement) | The entire Award will be distributed in a lump sum payment in the year following the Participant's Termination from Employment as if the Performance Goals were met at a level of 100%. |
| For Cause (even if eligible for Retirement) | The entire Award will be immediately forfeited at the time of the Participant's Termination of Employment. |
| Other Reasons (not eligible for Retirement) | Participant's Award is reduced and the Participant may receive no more than a pro-rated payout of the Award, based on the number of months during which the Participant was actively employed during the Performance Period. [1] |
| Retirement (all reasons except for Cause) | The entire Award may be paid out under the same terms as if the Participant were still actively employed by the Company or a Subsidiary on the last day of the last Plan Year of the Performance Period and on the date of payment of the Award. [1] |

[1] Payment, if any, will be at the regular time for payment ( i.e ., following the completion of the Performance Period and certification by the Administrator of the Performance Goals and level of payment), and the Award payment will be based upon the Company's actual results with respect to the Performance Goals and other conditions as set forth in the Plan and as determined by the Administrator. Also, within its sole discretion and without limitation, the Administrator may reduce or eliminate the Award before the payout of the Award, but only to the extent such Award would not have been payable but for this amendment.

Except as herein modified, the remaining provisions of Section 6.1(e) and 6.3(d) of the Plan, as applicable, shall remain in full force and effect.

**CINGULAR WIRELESS BLS TRANSITION EXECUTIVE BENEFIT PLAN**

WHEREAS, Cingular Wireless Corporation is the manager of Cingular Wireless LLC (the "Company"); and

WHEREAS, BellSouth Corp. ("BellSouth" or "BLS") maintains, for the benefit of certain highly compensated and key management employees, the BellSouth Supplemental Life Insurance Plan, the BellSouth Split-Dollar Life Insurance Plan (collectively hereinafter the "Life Insurance Plans") and the BellSouth Supplemental Disability Plan (all three plans referred to hereinafter as the "BLS Plans") (copies of the BLS Plans are attached hereto as Exhibit A); and

WHEREAS, certain former BLS employees, who have been contributed to the Company or an affiliate of the Company, were eligible to participate and receive benefits under the BLS Plans (the "Transition Executives"); and

WHEREAS, the Transition Executives are identified by name and the BLS Plan(s) in which they participated on Exhibit B hereto; and

WHEREAS, the Company desires to adopt the provisions and benefits of the BLS Plans into a new Company plan for the Transition Executives, so that they may continue to benefit from the provisions of the BLS Plans following their contribution to the Company; and

WHEREAS, the new plan shall be known as the Cingular Wireless BLS Transition Executive Benefit Plan (the "Cingular Plan"); and

WHEREAS, the terms of the Cingular Plan shall incorporate by reference the terms of the BLS Plans and shall be the same terms as in effect for the BLS Plans on December 31, 2001, including any amendments adopted through such date, unless otherwise provided in these resolutions or in Exhibit C hereto; and

WHEREAS, the benefits provided to the Transition Executives under the Cingular Plan shall be in lieu of the benefits such employees would have been entitled to receive under the BLS Plans and shall be offset against any benefits payable under the BLS Plans for any reason; and

WHEREAS, the Transition Executives, as identified in Exhibit B, shall be the only employees of the Company and its affiliates eligible to participate and receive benefits under the Cingular Plan and no other employees of the Company or its affiliates shall be permitted to participate in the Cingular Plan;

NOW, THEREFORE, BE IT RESOLVED, that the Cingular Plan, as described herein, is hereby approved and adopted as presented to the Board; provided, the Senior Vice President of Human Resources of the Company is hereby authorized to approve and execute a plan document for the Cingular Plan as he deems appropriate based on the advice of counsel;

FURTHER RESOLVED, that with regard to the Life Insurance Plans, the Company is authorized to receive an assignment of all of BellSouth's obligations, rights and interests in the Life Insurance Plans and any underlying policies of insurance, including the obligation to administer the plans and pay any required company contributions;

FURTHER RESOLVED, that the Cingular Plan shall be administered by the Senior Vice President - Human Resources of the Company and his delegates; provided, however, that the Senior Vice President - Human Resources shall be permitted to appoint third party administrators to assist in the administration of the Cingular Plan;

FURTHER RESOLVED, that the Company reserves the unilateral right to modify, amend or terminate the Cingular Plan at any time for any reason, including the right to merge the Cingular Plan or any benefit under it into another Company benefit plan that may provide for different benefits than the Cingular Plan;

FURTHER RESOLVED, that the Chief Operating Officer, the Chief Financial Officer, and the Senior Vice President of Human Resources of the Company are hereby authorized to approve amendments to the Cingular Plan from time to time as they deem necessary or appropriate consistent with the Company's employee benefit policies and based on the input of the Human Resources division, Finance division and other applicable divisions within the Company; provided, no such amendment which is reasonably expected to result in an increase in annual plan expense shall be effective without the approval of the Board;

FURTHER RESOLVED, that the appropriate officers of the Company and its affiliates are hereby authorized to execute such other documents and to take such actions as they may deem necessary or appropriate to implement the Cingular Plan and to carry out the intent and purposes of the foregoing resolutions as shall be necessary to comply with the requirements of the Internal Revenue Code, the Employee Retirement Income Security Act and all other applicable laws; and

RESOLVED, all prior actions taken by any officer of the Corporation and any officers of the Company in connection with the foregoing resolutions are hereby ratified.

EXHIBIT A

BellSouth Supplemental Life Insurance Plan

1. PURPOSE

The purpose of the BellSouth Supplemental Life Insurance Plan (the "Plan") is to provide an insurance arrangement under which BellSouth Corporation and its subsidiaries and affiliates can assist key employees in acquiring and financing life insurance coverage.

2. DEFINITIONS

For purposes of this Plan, the following terms have the meanings set forth below:

2.01 "Coverage Amount" means the Policy death benefit payable under the Participant's Policy.

2.02 "Coverage Level" means the Single Life Coverage insurance death benefit the Employee is eligible for under the Plan, determined based on the Employee's job classification, in accordance with the schedule of Coverage Levels maintained by the Plan Administrator. Provided, however, that to determine the amount of insurance death benefit for which an Employee is eligible, the applicable amount from the schedule of Coverage Levels shall be reduced by one hundred percent (100%) of the amount of any Single Life Coverage insurance death benefit and by fifty percent (50%) of the amount of any Survivorship Coverage insurance death benefit provided to the Employee under the BellSouth Split-Dollar Life Insurance Plan, the BellSouth Corporation Executive Life Insurance Plan, or the BellSouth Corporation Senior Manager Life Insurance Plan.

2.03 "Disability" means that the Participant is receiving disability benefits under any long-term disability plan sponsored by the Employer or an affiliated entity.

2.04 "Effective Date" means the effective date of the Plan, which is January 1, 1998.

2.05 "Employee" means an employee or former employee of the Employer who is eligible to participate in the Plan.

2.06 "Employer" means BellSouth Corporation and any subsidiary or affiliate of BellSouth Corporation which is authorized by the Plan Administrator to participate in this Plan.

2.07 "Employer Premium" means, with respect to a Participant's Policy, the Total Policy Premium payable for the year, less the portion of the premium to be paid by the Participant pursuant to Section 5.01 of the Plan.

2.08 "Enrollment Age" means the Participant's age at the time of enrollment in the Plan as to the Participant's initial Coverage Amount under the Plan, and it means the Participant's age at a subsequent enrollment for an increased Coverage Amount as to the increased Coverage Amount.

2.09 "Insurance Cost" means, with respect to a Participant, the annual cost for the Participant's Coverage Amount determined pursuant to the Insurance Cost schedule maintained by the Plan Administrator. The Insurance Cost for a Participant shall be determined at the time of the Participant's enrollment in the Plan, based on the Participant's Coverage Amount and Enrollment Age, and shall not change thereafter. A smoker rate shall be used to determine the Insurance Cost for any Participant who is deemed a smoker by the Insurer; a nonsmoker rate shall be used for all other Participants. A change in the Insurance Cost schedule will be effective only as to Plan enrollments occurring after the effective date of the change; it shall not affect the Insurance Cost for a Participant with respect to any Coverage Amount in effect for the Participant prior to the effective date of the change.

If a Participant's coverage is in effect for a period of less than twelve (12) months during any Policy Year, the Participant's Insurance Cost for that year shall be determined by multiplying the annual cost as determined from the Insurance Cost schedule by a fraction, the numerator of which is the number of full months that the coverage is in effect and the denominator of which is twelve (12).

2.10 "Insurer" means, with respect to a Participant's Policy, the insurance company issuing the insurance policy on the Participant's life (or on the joint lives of the Participant and the Participant's spouse, in the case of a Survivorship Policy) pursuant to the provisions of the Plan.

2.11 "Participant" means an Employee who is participating in the Plan.

2.12 "Participant Premium" means, with respect to each Policy Year (or portion thereof) for a Participant, the Participant's Insurance Cost.

2.13 "Permanent Policy" means a Participant's Policy having cash values which are projected to be sufficient to continue to provide death benefit coverage at least equal to the Participant's Coverage Amount until the policy maturity date specified in the Participant's Policy (determined without regard to any Policy rider which extends the maturity date beyond the originally scheduled policy maturity date), and which is projected to have a cash accumulation value equal to at least ninety-five percent (95%) of the Policy Coverage Amount at the maturity date specified in such Policy, with no further premium payments. The determination of whether a Policy is at a given time a Permanent Policy shall be made by the Plan Administrator, based on Policy projections provided by the Insurer or its agent utilizing the Policy's then current mortality rates and Policy expenses, and the following Policy interest crediting rates. For the Policy Year in which the determination is made and for all prior Policy years, if any, the Policy projection shall be based on the actual interest crediting rates in effect for the Policy (or, if such rate is not known when the determination is made, the actual rate in effect for the preceding Policy Year). For each of the ten (10) succeeding Policy Years, the projections shall reflect that rate decreased ratably such that the rate for the tenth Policy Year following the Policy Year in which the determination is made shall be five percent (5%). For all successive Policy Years, the projection shall reflect a five percent (5%) Policy interest crediting rate. Notwithstanding the foregoing, if the interest crediting rate in effect for the Policy Year in which the determination is made is less than five percent (5%), the projections shall reflect such lower rate for all Policy Years thereafter.

2.14 "Plan" means the BellSouth Supplemental Life Insurance Plan, embodied herein.

2.15 "Plan Administrator" means the Chief Executive Officer of BellSouth Corporation and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder; provided, the Board of Directors of BellSouth Corporation may designate any other person or committee to serve in lieu of the Chief Executive Officer as the Plan Administrator with respect to any or all of the administrative responsibilities hereunder.

2.16 "Policy" means the life insurance coverage acquired on the life of the Participant (or on the joint lives of the Participant and the Participant's spouse, in the case of a Survivorship Policy) by the Participant or other Policy Owner issued pursuant to the terms of this Plan. The Plan Administrator shall determine the specific policies which may be acquired under the Plan, and shall maintain a list of approved policies.

2.17 "Policy Owner" means the Participant or that person or entity to whom the Participant has assigned his interest in the Policy.

2.18 "Policy Year" means the twelve month period (and each successive twelve month period) beginning on the issue date of the Policy.

2.19 "Premium Payment Years" means, with respect to a Participant's Policy, the number of consecutive Policy Years, beginning with the first Policy Year, and continuing for the longer of: (1) all Policy Years ending at the end of the Policy Year during which the Participant attains age sixty-two (62) (or, if the Participant dies before such time, the end of the Policy Year during which the Participant would have attained such age); or (2) five (5) Policy Years. Notwithstanding the foregoing, if prior to the end of such period the Policy qualifies as a Permanent Policy, the Premium Payment Years shall end at such earlier time.

2.20 "Retirement" means a termination of the Participant's employment with the Employer under circumstances where the Participant is immediately eligible to receive pension benefits under the Supplemental Executive Retirement Plan (SERP) maintained by the Employer or one of its subsidiaries.

2.21 "Single Life Coverage" means life insurance coverage on the life of the Participant.

2.22 "Survivorship Coverage" means life insurance coverage on the lives of the Participant and the Participant's spouse, with the life insurance death benefit to be payable at the death of the last survivor of the Participant and the Participant's spouse.

2.23 "Total Policy Premium" means the level annual premium amount for the Participant's Single Life Coverage Policy that is projected to result in the Policy qualifying as a Permanent Policy if the annual premium amount is paid each year for all scheduled Premium Payment Years, assuming the Participant qualifies for the Insurer's guaranteed issue nonsmoker rates, or if the Participant is deemed by the Insurer to be a smoker, the Insurer's guaranteed issue smoker rates. The determination as to the amount of the Total Policy Premium shall be based on Single Life Coverage even if the Participant elects Survivorship Coverage. If more than one type of Single Life Coverage Policy is available under the Plan, the Plan Administrator shall determine the Single Life Coverage Policy to be used to determine the Total Policy Premium. The Total Policy Premium for a Participant shall be determined when the Participant enrolls for coverage under the Plan, and shall not be changed thereafter; it shall be based on the Participant's Coverage Level, or, if less, the actual Coverage Amount elected by the Participant.

3. ELIGIBILITY

3.01 General. Each Employee who is designated by the Plan Administrator as a member of the Employer's "executive compensation group" or as a "senior manager" shall be eligible to participate in the Plan, provided that the Employee (and any other appropriate party, such as the Employee's spouse or a Policy Owner other than the Employee, as determined by the Plan Administrator) relinquishes any rights to or interests in any policies providing interim coverage during the rehabilitation of Confederation Life Insurance Company under the BellSouth Corporation Executive Life Insurance Plan or the BellSouth Corporation Senior Manager Life Insurance Plan and completes such other forms as the Plan Administrator may require. Each such Employee on the Effective Date shall be eligible to participate in the Plan as of the Effective Date. Each Employee subsequently satisfying such eligibility requirements shall be eligible to participate in the Plan effective as of the first day of the calendar quarter (i.e., January 11, April I, July 1, and October 1) following the date on which such standards are satisfied.

3.02 Type of Coverage. If an Employee is married at the time the Employee enrolls in the Plan, the Employee can elect to participate in either Single Life Coverage or Survivorship Coverage. An Employee who is unmarried at the time the Employee enrolls in the Plan shall be eligible for Single Life Coverage only. The election of one type of coverage shall not preclude the Participant from electing the other type of coverage as to any increased Coverage Level the Participant becomes eligible for pursuant to Section 4.02 of the Plan.

3.03 Conversion of Coverage. Subject to any proof of insurability required by the Insurer, a Participant (or other Policy Owner) can elect to convert Survivorship Coverage to Single Life Coverage, and with respect to a married Participant, the Participant (or other Policy Owner) can elect to convert Single Life Coverage to Survivorship Coverage. Provided, however, that the number of Premium Payment Years for a Participant shall not be redetermined in connection with a conversion from one type of coverage to another. Upon a conversion, the cash values of the replaced Policy shall be transferred to the new Policy in accordance with the Insurer's practices. Any Insurer charges or tax liability resulting from a conversion shall be borne by the Participant or other Policy Owner.

4. AMOUNT OF COVERAGE

4.01 General. An Employee who is eligible to participate in the Plan under Section 3.01 of the Plan shall be eligible for the full Coverage Level as specified in the Plan under Section 2.02. However, within sixty (60) days of becoming eligible to participate, a Participant can elect a Coverage Amount which is less than the applicable Coverage Level; provided, however, that the Coverage Amount elected must be an even multiple of $100,000. If a Participant elects a Coverage Amount less than the Participant's Coverage Level (or fails to elect any Coverage), the Participant cannot later increase the Coverage Amount except in connection with a promotion under Section 4.02 of the Plan.

4.02 Promotions. Employees promoted to a job classification or position eligible for an increased Coverage Level shall be eligible for the increased Coverage Level effective as of the first day of the calendar quarter (i.e., January 11, April 11, July 1, and October 1) following the promotion. The additional Coverage Amount available to the Participant under this Section shall be equal to the applicable Coverage Level after the promotion reduced by any Coverage Amounts already in effect for a Participant. In order to be effective, any election for an increase in the Coverage Amount must be made within the time period prescribed by the Plan Administrator in enrollment materials provided to the Employee.

4.03 Survivorship Coverage. If a Participant elects Survivorship Coverage, the amount of Survivorship Coverage will be determined by the Plan Administrator based on the Participant's age and smoker or nonsmoker status, the age and insurability of the Participant's spouse, and based on the Participant's Total Policy Premium. The Coverage Amount shall be the highest amount such that the Policy will qualify as a Permanent Policy if the Total Policy Premium is paid for each year that is a scheduled Premium Payment Year.

5. PAYMENT OF PREMIUMS

5.01 Participant Premium Payments. A Participant shall pay the Participant Premium for each Policy Year which is a Premium Payment Year for the Participant. The amount shall be paid by the Participant to the Employer by payroll (or retirement income) deductions of equal installments during the Policy Year, or in such other manner as may be determined by the Plan Administrator. The Employer shall pay the Participant Premium amount to the Insurer, and can do so as collected from the Participant or can advance payments to the Insurer for a Policy Year at any time during the Policy Year or up to thirty (30) days in advance of the Policy Year. If a Participant terminates employment with the Employer, and the Employer has made such an advance payment of the Participant Premium to the Insurer, the Employer may withhold any uncollected portion of the advanced Participant Premium from any amount payable to the Participant by the Employer to the extent permitted by law. Notwithstanding the other provisions of this paragraph, no Participant Premium shall be required with respect to Survivorship Coverage after the death of the Participant.

5.02 Employer Premium Payments. The Employer shall pay the Employer Premium for a Participant's Policy within thirty (30) days of the beginning of each Policy Year which is a Premium Payment Year.

5.03 Additional Employer Premium Payments. For each of the last three (3) scheduled Premium Payment Years for a Participant, the Plan Administrator shall determine whether there will be any increased Employer premium payment with respect to a Participant's Policy. The Plan Administrator shall first determine whether the Participant's Policy is then projected to qualify as a Permanent Policy if the Total Policy Premium is paid each year for the remaining scheduled Premium Payment Years. If the Policy is projected to qualify as a Permanent Policy, no increased Employer Premium payment shall be required for such Premium Payment Year .If the projections indicate that the Policy will not qualify as a Permanent Policy, then the amount payable by the Employer under Section 5.02 shall be increased by an amount which will result in the Policy qualifying as a Permanent Policy if such increased amount is paid for each remaining Premium Payment Year, but any such increase in Employer Premium shall be limited by the maximum premium amounts permissible for such Policy under Internal Revenue Code Sections 7702 and 7702A (or comparable successor sections) without forfeiting any of the favorable tax attributes associated with life insurance policies. The determination as to whether any increased amount is payable shall be made separately for each of the last three (3) Premium Payment Years. However, the Employer Premium payable under Section 5.02 shall not be reduced to an amount that is less than the amount which would have been payable by the Employer for a Premium Payment Year without regard to this Section 5.03. Regardless of the type of coverage actually provided to a Participant, and notwithstanding any changes in the type of coverage provided to the Participant under Section 3.03, the increased Employer Premium payable under this Section 5.03 shall be the amount that would be payable if the Participant had elected Single Life Coverage and maintained such coverage for all Policy Years; also, if more than one type of Single Life Coverage Policy is available under the Plan, the Single Life Coverage Policy used to determine Total Policy Premium under Section 2.23 shall be used to make the determination under this Section 5.03. In the event tax law limits preclude the Employer from qualifying a Policy as a Permanent Policy by the end of the last scheduled Premium Payment Year, then the Employer's obligation to pay premiums under Section 5.02 and 5.03 (and make additional Employer payments under Section 5.04) shall be extended until projections indicate that the Policy qualifies as a Permanent Policy.

5.04 Additional Employer Payments.

a. If the payment of an Employer Premium under Section 5.02 (or any increased amount under Section 5.03) results in the recognition of income for tax purposes by the Participant in any year, the Employer shall pay to the Participant an amount determined by the Plan Administrator which is designed to approximate (1) the sum of the total federal and

state income taxes and applicable payroll taxes which would be payable by the Participant at the highest marginal rate provided for under applicable federal income tax laws, and at the highest marginal rate provided for under applicable state income tax laws for the state of the Participant's" tax domicile, on the income so recognized, plus (2) the total federal and state income taxes and applicable payroll taxes which would be payable by the Participant on the payment described in clause (1).

b. If the payment of any Employer Premium under Section 5.02 (or any increased amount under Section 5.03) on Survivorship Coverage after the death of the Employee results in the recognition of income for tax purposes by the Participant's spouse or other Policy Owner, the Employer shall pay to the Participant's spouse or other Policy Owner an amount determined by the Plan Administrator which is designed to approximate the total federal and state income taxes which would be payable by the Participant's spouse or other Policy Owner at the highest marginal rate provided for under applicable federal income tax laws, and at the highest marginal rate provided for under applicable state income tax laws for the state of the tax domicile of the Participant's spouse or other Policy Owner, attributable to such premium payment.

c. For purposes of this Section 5.04, a tax shall be deemed payable or income shall be deemed recognized if either (i) it is finally determined by the Internal Revenue Service, or (ii) an opinion is given by the Employer's counsel, that the tax is payable.

d. Any payment made to a Participant or a Participant's spouse under this Section shall be made no later than April 1 of the year following the year to which the payment relates.

e. Any amount to be paid to a Participant, a Participant's spouse, or other Policy Owner under this Section, and the amounts payable, shall be conclusively determined by the Plan Administrator based on generally applicable tax rates and not based upon the unique tax situation of each Participant, Participant's spouse, or other Policy Owner.

5.05 Termination of Obligation to Pay Premiums. Notwithstanding anything herein to the contrary, the Employer's obligation to pay premiums (including any increased amounts under Section 5.03) with respect to the Participant's Policy, shall terminate upon the first to occur of any of the following events:

a. Termination of employment of the Participant with the Employer prior to the Participant's death for reasons other than Retirement or Disability.

b. The written notice by the Employer to the Participant following a resolution by the Board of Directors of BellSouth Corporation to terminate this Plan.

c. As to Single Life Coverage only, the death of the Participant.

d. As to Survivorship Coverage only, the death of the last survivor of the Participant and the Participant's spouse.

e. The surrender or cancellation of the Participant's Policy, except that a Policy will not be considered surrendered or canceled if the surrender or cancellation is in connection with the replacement of the Policy with another Policy pursuant to the provisions of the Plan.

f. The withdrawal of any Policy cash values, or borrowing against Policy cash values, by the Participant or other Policy Owner.

g. The reduction of the Participant's Policy death benefit to a level that is less than the initial Policy Coverage Amount, except that a conversion from Survivorship Coverage to Single Life Coverage shall not be considered a reduction in Policy death benefit for the purpose of this Section.

h. The determination by the Plan Administrator that the Policy will qualify as a Permanent Policy with no further Employer Premium payments.

6. POLICY OWNERSHIP

6.01 Ownership. The Policy Owner shall be the sole and exclusive owner of a Participant's Policy and shall be entitled to exercise all of the rights of ownership.

6.02 Possession of Policy. The Policy Owner shall keep possession of the Policy.

7. GOVERNING LAWS & NOTICES

7.01 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Georgia.

7.02 Notices. All notices hereunder shall be in writing and sent by first class mail with postage prepaid. Any notice to the Employer shall be addressed to BellSouth Corporation at its office at 1155 Peachtree Street, N.E., Atlanta, GA 30367-6000, ATTENTION: Human Resources -Director Executive Benefits. Any notice to the Employee shall be addressed to the Employee at the address for the Employee maintained in the Employer's records. Any party may change the address for such party herein set forth by giving notice of such change to the other parties pursuant to this Section.

8. NOT A CONTRACT OF EMPLOYMENT

This Plan shall not be deemed to constitute a contract of employment between an Employee and the Employer or a Participant and the Employer, nor shall any provision restrict the right of the Employer to discharge an Employee or Participant, or restrict the right of an Employee or Participant to terminate employment.

9. AMENDMENT, TERMINATION, ADMINISTRATION, AND SUCCESSORS CONSTRUCTION

9.01 Amendment. The Board of Directors of BellSouth Corporation, or its delegate, shall have the right in its sole discretion, to amend the Plan in whole or in part at any time and from time to time. In addition, the Plan Administrator shall have the right, in its sole discretion, to amend the Plan at any time and from time to time so long as such amendment is not of a material nature. Notwithstanding the foregoing, no modification or amendment shall be effective so as to decrease any benefits of a Participant unless the Participant consents in writing to such modification or amendment. Written notice of any material modification or amendment shall be given promptly to each Participant.

9.02 Termination. The Board of Directors of BellSouth Corporation may terminate the Plan without the consent of the Participants or Employees.

9.03 Successors. The terms and conditions of this Plan shall enure to the benefit of and bind the Employer, the Participant, their successors, assignees, and representatives. If, subsequent to the Effective Date of the Plan, substantially all of the stock or assets of the Employer are acquired by another corporation or entity or if the Employer is merged into, or consolidated with, another corporation or entity , then the obligations created hereunder shall be obligations of the acquirer or successor corporation or entity.

10. PLAN ADMINISTRATION

10.01 Individual Administrator. If the Plan Administrator is an individual he shall act and record his actions in writing. Any matter concerning specifically such individual's own benefit or rights hereunder shall be determined by the Board of Directors of BellSouth Corporation or its delegate.

10.02 Administrative Committee. If the Plan Administrator is a committee, or if any of the duties or responsibilities of the Plan Administrator are vested in a committee, action of the Plan Administrator may be taken with or without a meeting of committee members; provided, action shall be taken only upon the vote or other affirmative expression of a majority of the committee members qualified to vote with respect to such action. If a member of the committee is a Participant, he or she shall not participate in any decision which solely affects his or her own benefit under the Plan. For purposes of administering the Plan, the Plan Administrator shall choose a secretary who shall keep minutes of the committee's proceedings and all records and documents pertaining to the administration of the Plan. The secretary may execute any certificate or other written direction on behalf of the Plan Administrator.

10.03 Rights and Duties of the Plan Administrator. The Plan Administrator shall administer the Plan and shall have all powers necessary to accomplish that purpose, including (but not limited to) the following:

a. to construe, interpret and administer the Plan;

b. to make determinations required by the Plan, and to maintain records regarding Participants' Benefits hereunder;

c. to compute and certify the amount and kinds of benefits payable to Participants, and to determine the time and manner in which such benefits are to be paid;

d. to authorize all disbursements pursuant to the Plan;

e. to maintain all the necessary records of the administration of the Plan;

f. to make and publish such rules and procedures for the regulation of the Plan as are not inconsistent with the terms hereof;

g. to designate to other individuals or entities from time to time the to designate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder: and

h. to hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan.

The Plan Administrator shall have the exclusive right to construe and interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of benefits, and its decisions on such matters shall be final and conclusive on all parties.

10.04 Bond; Compensation. The Plan Administrator and (if applicable) its members shall serve as such without bond and without compensation for services hereunder.

11. CLAIMS PROCEDURE

11.01 Named Fiduciary. The Plan Administrator is hereby designated as the named fiduciary under this Plan.

11.02 Claims Procedures. Any controversy or claim arising out of or relating to this Plan shall be filed with the Plan Administrator which shall make all determinations concerning such claim. Any decision by the Plan Administrator denying such claim shall be in writing and shall be delivered to all parties in interest in accordance with the notice provisions of Section 7.02 hereof. Such decision shall set forth the reasons for denial in plain language. Pertinent provisions of the Plan shall be cited and, where appropriate, an explanation as to how the Employee can perfect the claim will be provided. This notice of denial of benefits will be provided within 90 days of the Plan Administrator's receipt of the Employee's claim for benefits. If the Plan Administrator fails to notify the Employee of its decision regarding the claim, the claim shall be considered denied, and the Employee shall then be permitted to proceed with the appeal as provided in this Section.

An Employee who has been completely or partially denied a benefit shall be entitled to appeal this denial of his/her claim by filing a written statement of his/her position with the Plan Administrator no later than sixty (60) days after receipt of the written notification of such claim denial. The Plan Administrator shall schedule an opportunity for a full and fair review of the issue within thirty (30) days of receipt of the appeal. The decision on review shall set forth specific reasons for the decision, and sha11 cite specific references to the pertinent Plan provisions on which the decision is based. Following the review of any additional information submitted by the Employee, either through the hearing process or otherwise, the Plan Administrator shall render a decision on the review of the denied claim in the following manner:

a. The Plan Administrator shall make its decision regarding the merits of the denied claim within sixty (60) days following receipt of the request for review (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). The Plan Administrator shall deliver the decision to the claimant in writing. If an extension of time for reviewing the appealed claim is required because of special circumstances, written notice of the extension shall be furnished to the Employee prior to the commencement of the extension. If the decision on review is not furnished within the prescribed time, the claim shall be deemed denied on review.

b. The decision on review shall set forth specific reasons for the decision, and shall cite specific references to the pertinent Plan provisions on which the decision is based.

General Information About The BellSouth
Supplemental Life Insurance Plan

NAME OF PLAN

BellSouth Supplemental Life Insurance Plan

NAME AND ADDRESS OF EMPLOYER

Various BellSouth companies participate in this Plan. BellSouth
Corporation's address is: 1155 Peachtree Street, N.E. Atlanta, Georgia 30309

EMPLOYER IDENTIFICATION NUMBER

58-1533433

PLAN NUMBER

589

TYPE OF PLAN

This Plan is a welfare benefit plan in which participants are given the opportunity to receive life insurance coverage purchased with a combination of employer and employee contributions.

TYPE OF ADMINISTRATION

Benefits are provided through insurance contracts purchased under the terms of the Plan. The Plan is administered by BellSouth Corporation.

CLAIMS PROCEDURE

Claims for insurance benefits under the Plan are handled by and should be directed to the Plan Administrator.

PLAN YEAR

The Plan Year is the period beginning each January 1 and ending each December 31 during which the Plan is in effect.

END OF YEAR FOR FISCAL YEAR PURPOSES

December 31

NAME, BUSINESS ADDRESS AND TELEPHONE NUMBER OF PLAN ADMINISTRATOR

BellSouth Corporation
1155 Peachtree Street, N.E.
Atlanta, Georgia 30309-3610
Attn.: Director Executive Benefits
(404) 249-2228

SERVICE OF LEGAL PROCESS

Service of legal process may be made upon the Plan Administrator.

EFFECTIVE DATE

The Effective Date of the Plan is January 1, 1998.

PARTICIPANT'S RIGHTS UNDER ERISA

Participants in the Plan are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that each Plan participant may:

(1) Examine, without charge, all Plan documents, and copies of all documents files by the Plan with the U.S. Department of Labor, such as detailed annual reports and Plan descriptions, if applicable.

(2) Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for copies;

(3) Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report; You should also be aware of the following protections afforded by ERISA:

(1) The people who operate the Plan, called "fiduciaries," must act prudently and in the interest of you and other Plan participants and beneficiaries.

(2) No one may interfere with the exercise of any rights which you have under the Plan or ERISA.

(3) If your claim for a benefit is denied in whole or in part, you must receive a written explanation of the reason for denial.

(4) You have the right to have the Plan Administrator review and reconsider your claim.

Under ERISA, there are steps you can take to enforce the above rights. If you request materials from the Plan and do not receive them within 30 days, you may choose to file suit in a federal court. If the court finds that you are entitled to receive those materials, it may require the Plan Administrator to provide the materials and pay you a daily penalty until you receive them. However, if the documents were not sent because of reasons beyond the control of the Plan Administrator, he will not be penalized. If you have a claim for benefits which is denied or ignored, in whole or in part, you may choose to file suit in a state or federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are

discriminated against for asserting your rights, you may seek assistance from the U. S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you lose, the court may order you to pay these costs and fees, if, for example, it finds your claim frivolous.

If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor Management Services Administration Department of Labor.

# BELLSOUTH SPLIT-DOLLAR LIFE INSURANCE PLAN

## 1. PURPOSE

The purpose of the BellSouth Split-Dollar Life Insurance Plan (the “Plan”) is to provide a split-dollar insurance arrangement under which BellSouth Corporation and its subsidiaries and affiliates can assist key employees in acquiring and financing life insurance coverage. This Plan incorporates the provisions of the BellSouth Corporation Executive Life Insurance Plan and the BellSouth Corporation Senior Manager Life Insurance Plan, as amended as of the effective date of this Plan (the "Prior Plans”), and, as of such effective date, shall be deemed to constitute a complete restatement of both Prior Plans, as amended (except to the extent otherwise specifically provided in Section 3.01 of this Plan).

## 2. DEFINITIONS

For purposes of this Plan, the following terms have the meanings set forth below:

2.01 "Agreement" means the agreement executed between the Employer and a Participant implementing the terms of this Plan, substantially in the form attached hereto as Exhibit A.

2.02 "Assignment" means the collateral assignment executed by the Policy Owner, substantially in the form attached hereto as Exhibit B.

2.03 "Coverage Amount" means the face amount of the insurance death benefit provided to a Participant under the Plan, as specified in the Participant's Agreement.

2.04 "Disability" means that the Participant is receiving disability benefits under any long-term disability plan sponsored by the Employer or an affiliated entity.

2.05 "Effective Date" means the effective date of the Plan, which is January 1, 1998.

2.06 "Employee" means an employee or former employee of the Employer who is eligible to participate in the Plan.

2.07 "Employer" means BellSouth Corporation and any subsidiary or affiliate of BellSouth Corporation which is authorized by the Plan Administrator to participate in this Plan.

2.08 "Employer Account" means, with respect to a Participant's Policy, a bookkeeping entry maintained by the Employer pursuant to Section 6 of the Plan, equal to the lesser of (1) the cash value of the Policy, or (2) the amount of Policy premiums paid by the Employer (and not collected from the Participant). With respect to a Replacement Policy, the amount of Policy premiums paid by the Employer shall be deemed to include the total of all such premiums paid on the Replacement Policy and the Replaced Policy, reduced by an amount equal to that portion of the Replaced Policy Cash Value, if any, paid to the Employer at the time the Replacement Policy is issued.

2.09 "Employer Premium" means, with respect to a Participant's Policy, the total Policy premium payable for the Policy Year by the Company as specified in the Participant's Agreement, less the portion of the premium to be paid by the Participant pursuant to Section 5.01 of the Plan.

2.10 "Enrollment Age" means the Participant's age at the time of enrollment in the Prior Plans as to the Participant's initial Coverage Amount, and it means the Participant's age at a subsequent enrollment for an increased Coverage Amount as to the increased Coverage Amount; provided, however, that with respect to a Replacement Policy, the age at enrollment shall mean the age at the time of enrollment for the Replaced Policy.

2.11 "Insurance Cost" means, with respect to a Participant, the annual cost for the Participant's Coverage Amount determined pursuant to the Insurance Cost schedule maintained by the Plan Administrator. The Insurance Cost for a Participant shall be determined as of the time of the Participant's enrollment in the Prior Plan(s), based on the Participant's Coverage Amount and Enrollment Age. and shall not change thereafter. A smoker rate shall be used to determine the Insurance Cost for any, Participant who smoked cigarettes at any time during the twelve month period immediately preceding the Participant's enrollment; a nonsmoker rate shall be used for all other Participants. However, notwithstanding the previous sentence, if a Replacement Policy is issued for a Participant and the Participant qualifies as a nonsmoker for the Replacement Policy, the nonsmoker rate shall thereafter be used to determine the Insurance Cost for the Participant. If a Participant's coverage is in effect for a period of less than twelve (12) months during any Policy Year, the Participant's Insurance Cost for that year shall be determined by multiplying the annual cost as determined from the insurance cost schedule by a fraction, the numerator of which is the number of full months that the coverage is in effect and the denominator of which is twelve (12).

2.12 "Insurer" means, with respect to a Participant's Policy, the insurance company issuing the insurance policy or group policy certificate on the Participant's life (or on the joint lives of the Participant and the Participant's spouse) pursuant to the provisions of the Plan.

2.13 "Participant" means an Employee who is participating in the Plan.

2.14 "Participant Account" means, with respect to a Participant's Policy, a bookkeeping entry maintained by the Employer pursuant to Section 6 of the Plan, equal to the excess, if any, of the cash value of the Policy over the Employer Account.

2.15 "Participant Premium" means, with respect to each Policy Year (or portion thereof) for a Participant, the greater of (1) the Participant's Insurance Cost; or (2) the one year term cost for the Policy Year (or portion thereof) determined based on the Participant's age at the beginning of the Policy Year, the Insurer's published one year term rates in effect at the beginning of the Policy Year, and the Participant's Coverage Amount under the Plan. The one year term cost amount shall be determined pursuant to the guidelines set forth in Revenue Ruling 66-110, 1966-1 C.B. 12, and Revenue Ruling 67-154, 1967-1 C.B. 11, and shall be conclusively determined by the Plan Administrator.

2.16 "Permanent Policy" means a Participant's Policy having cash values which are projected to be sufficient to continue to provide death benefit coverage at least equal to the Participant's Coverage Amount until the policy maturity date specified in the Participant's Policy (determined without regard to any Policy rider which extends the maturity date beyond the originally scheduled policy maturity date ), and which is projected to have a cash accumulation value equal to at least ninety-five percent (95% ) of the Policy Coverage Amount at the maturity date specified in such Policy, with no further premium payments, following a withdrawal by the Employer of all amounts to which it is entitled pursuant to Section 8.02e or Section 8.03. A determination as to whether a Policy is at a given, time a Permanent Policy shall be made by the Plan Administrator, and shall be based on Policy projections provided by the Insurer or its agent utilizing the Policy's then current mortality rates and Policy expenses, and the following Policy interest crediting rates. For the Policy Year of the Employer withdrawal made pursuant to Section 8.02e or Section 8.03, the projections shall reflect the actual Policy interest crediting rate in effect for such year ( or, if such rate is not known when the determination is made, the actual rate in effect for the preceding Policy Year). For each of the ten (10) succeeding Policy Years, the projections shall reflect that rate decreased ratably such that the rate in the tenth Policy Year following the Policy Year in which the Employer withdrawal occurs will be five percent (5%). For all successive Policy Years, the projections shall reflect a five percent (5%) Policy interest crediting rate. Notwithstanding the foregoing, if the actual Policy interest crediting rate in effect when the determination is made is less than five percent (5%), the projections shall reflect such lower rate for the Policy Year of the Employer withdrawal and all subsequent Policy Years.

2.17 "Plan" means the BellSouth Split-Dollar Life Insurance Plan. Except as otherwise provided in Section 3.01, with respect to each Participant who participated in the BellSouth Corporation Executive Life Insurance Plan, the Plan shall be construed and interpreted as a restatement of the provisions of such plan, as amended; and, with respect to each Participant who participated in the BellSouth Corporation Senior Manager Life Insurance Plan, the Plan shall be construed and interpreted as a restatement of such plan, as amended.

2.18 "Plan Administrator" means the Chief Executive Officer of BellSouth Corporation and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder; provided, the Board of Directors of BellSouth Corporation may designate any other person or committee to serve in lieu of the Chief Executive Officer as the Plan Administrator with respect to any or all of the administrative responsibilities hereunder.

2.19 "Policy" means the life insurance coverage acquired on the life of the Participant (or on the joint lives of the Participant and the Participant's spouse) by the Participant or other Policy Owner, which may be issued as a separate insurance policy or a certificate under a group policy.

2.20 "Policy Owner" means the Participant or that person or entity to whom the Participant has assigned his interest in the Policy. In the case of a Replacement Policy issued to replace a Policy for which the Policy Owner is other than the Participant, the Policy Owner of the Replacement Policy shall be the same as the Policy Owner of the Policy being replaced, unless elected otherwise by such Policy Owner.

2.21 "Policy Year" means the twelve month period (and each successive twelve month period) beginning on the effective date of the Agreement.

2.22 "Premium Payment Years" means, with respect to a Participant's Policy, the number of consecutive Policy Years (including, for a Replacement Policy, the number of Policy Years during which the Replaced Policy was in force), beginning with the first Policy Year, during which the Employer is required to pay a Policy premium, as specified in the Participant's Agreement.

2.23 "Replaced Policy" means a Policy which has been replaced by a Replacement Policy. If a Participant's Policy has been replaced more than one time, then the term Replaced Policy shall include all prior Policies.

2.24 "Replaced Policy Cash Value" means the cash value of the Replaced Policy on the Effective Date.

2.25 "Replacement Policy" means a Policy issued to replace a Policy previously issued under the Plan.

2.26 "Retirement" means a termination of the Participant's employment with the Employer under circumstances where the Participant is immediately eligible to receive pension benefits under the Supplemental Executive Retirement Plan (SERP) maintained by the Employer or one of its subsidiaries.

2.27 "Single Life Coverage" means life insurance coverage on the life of the Participant.

2.28 "Survivorship Coverage" means life insurance coverage on the lives of the Participant and the Participant's spouse, with the life insurance death benefit to be payable at the death of the last survivor of the Participant and the Participant's spouse.

2.29 "Terminated for Cause" means, with respect to a Participant, the termination of the Participant's employment with the Employer due to: (i) fraud, misappropriation, embezzlement, or intentional material damage to the property or business of the Employer; (ii) commission of a felony involving moral turpitude of which the Participant is finally adjudicated guilty; or (iii) continuance of either willful and repeated failure or grossly negligent and repeated failure by the Participant to materially perform his duties.

3. ELIGIBILITY

3.01 General. Each Employee with a Prior Plan Agreement in effect on the day preceding the Effective Date shall be eligible to participate in the Plan, provided that the Employee (and any other appropriate party, such as the Employee's spouse or a Policy Owner other than the Employee, as determined by the Plan Administrator) executes an Agreement consenting to the terms of this Plan, as amended, and completes such other forms as the Plan Administrator shall require. Any Employee eligible to participate who fails to execute (or secure execution of) an Agreement consenting to the terms of this Plan, as amended, by August 31, 1998, shall not be eligible for coverage under the Plan, but shall remain subject to the terms and conditions of the Prior Plan(s) in which such Employee participates as in effect on the day preceding the Effective Date, as amended thereafter from time to time.

3.02 Type of Coverage. The type(s) of coverage for a Participant on the Effective Date shall be the type(s) of coverage in place on the day preceding the Effective Date pursuant to the Participant's Agreement(s) under the Prior Plan(s). Provided, however, that the Policy Owner may make a one-time election to exchange Survivorship Coverage for Single Life Coverage (equal to fifty percent (50%) of the Participant's Survivorship Coverage Amount), or to exchange Single Life Coverage for Survivorship Coverage (equal to two hundred percent (200%) of the Participant's Single Life Coverage Amount), subject to any proof of insurability required by the Insurer. Such an election must be made by August 31, 1998. If an unmarried Participant enrolls for Single Life Coverage and subsequently marries, then, subject to the approval of the Plan Administrator, the Participant (or other Policy Owner) shall have the right to make an election, exercisable no later than one hundred eighty (180) days following the marriage, to convert (subject to any proof of insurability required by the Insurer) the Single Life Coverage to Survivorship Coverage (with the Coverage Amount equal to two hundred percent (200%) of the Single Life Coverage Amount). If a married Participant enrolls for Survivorship Coverage and subsequently divorces, then, subject to the approval of the Plan Administrator, the Participant (or other Policy Owner) shall have the right to make an election, exercisable no later than one hundred eighty (180) days following the finalization of the divorce, to convert (subject to any proof of insurability required by the Insurer) the Survivorship Coverage to Single Life Coverage (with the Coverage Amount equal to fifty percent (50%) of the Survivorship Coverage Amount). Under no other circumstances shall a Participant (or other Policy Owner) have any right to change an election as to type of coverage after the coverage becomes effective. Any Insurer charges or tax liability resulting from a conversion shall be borne by the Participant or other Policy Owner.

4. AMOUNT OF COVERAGE

The Coverage Amount for a Participant shall be the amount specified in the Participant's Agreement.

5. PAYMENT OF PREMIUMS; PAYMENT OF CERTAIN TAXES

5.01 Participant Premium Payments. A Participant shall pay the Participant Premium for each Policy Year which is a Premium Payment Year for the Participant. The amount shall be paid by the Participant to the Employer by payroll (or retirement income) deductions of equal installments during the Policy Year, or in such other manner as may be agreed to between the Plan Administrator and the Participant. The Employer shall pay the Participant Premium amount to the Insurer, and can do so as collected from the Participant or can advance payments to the Insurer for a Policy Year at any time during the Policy Year or up to thirty (30) days in advance of the Policy Year. If a Participant terminates employment with the Employer, and the Employer has made such an advance payment of the Participant Premium to the Insurer, the Employer may withhold any uncollected portion of the advanced Participant Premium from any amount payable to the Participant by the Employer to the extent permitted by law. Notwithstanding the other provisions of this paragraph, no Participant Premium shall be required with respect to Survivorship Coverage after the death of the Participant, and no Participant Premium shall be required after termination of the Participant's Agreement pursuant to Section 8.01.

5.02 Employer Premium Payments. The Employer shall pay the Employer Premium for a Participant's Policy within thirty (30) days of the beginning of each Policy Year which is a Premium Payment Year. However, no Employer Premium shall be required: (1) after the Participant's Agreement terminates pursuant to Section 8.01; or, (2) for a Policy Year if the Employer withdrawal and release of Assignment under Section 8.03 would have occurred at the end of the prior Policy year but for the requirement in Section 8.03 that the Policy not constitute a Modified Endowment Contract following such withdrawal. Also, if the payment of the Employer Premium for a Policy year would cause the Participant's Policy to constitute a Modified Endowment Contract (as such term is defined in Section 7702A of the Internal Revenue Code), then the Employer Premium amount for such Policy year shall be reduced to the largest such amount that can be paid without causing the Policy to constitute a Modified Endowment Contract. The Employer may, but shall not be required to, make additional premium payments with respect to a Participant's Policy after the last Premium Payment Year.

5.03 Additional Employer Payments

a. If, during any year which is not a Premium Payment Year, participation in the Plan results in the recognition of income for tax purposes by the Participant for the economic benefit to the Participant as described in, e.g., Revenue Ruling 64-328, 1964-2 C.8.11, the Employer shall pay to the Participant an amount determined by the Plan Administrator which is designed to approximate the (1) sum of the total federal and state income taxes and applicable payroll taxes which would be payable by the Participant at the highest marginal rate provided for under applicable federal income tax laws, and at the highest marginal rate provided for under applicable state income tax laws for the state of the Participant's tax domicile,

on the income so recognized, plus (2) the total federal and state income taxes and applicable payroll taxes which would be payable by the Participant on the payment described in clause (1). Any payment to be made under this subsection a. shall be made no later than April 1 of the year following the year to which the payment relates.

b. If, with respect to Survivorship Coverage after the death of the Participant, participation in the Plan results in the recognition of income for tax purposes by the Participant's spouse or other Policy Owner for the economic benefit to the Participant's spouse or other Policy Owner as described in, e.g., Revenue Ruling 64-328, 1964-2 C.8.11, the Employer shall pay to the Participant's spouse or other Policy Owner an amount determined by the Plan Administrator which is designed to approximate the total federal and state income taxes which would be payable by the, Participant's spouse or other Policy Owner at the highest marginal rate provided for under applicable federal income tax laws, and the highest marginal rate provided for under applicable state income tax laws for the state of the tax domicile of the Participant's spouse or other Policy Owner, on the income so recognized. Any payment, to be made under this subsection b. shall be made no later than April 1 of the year following the year to which the payment relates.

c. If the termination of the Employer's interest in a Participant's Policy pursuant to Section 8.03 of the Plan results in the recognition of income for tax purposes by the Participant, the Employer shall pay to the Participant an amount determined by the Plan Administrator which is designed to approximate the total federal and state income taxes which would be payable by the Participant at the highest marginal rate provided for under applicable federal income tax laws, and at the highest marginal rate provided for under applicable state income tax laws for the state of the Participant's tax domicile, attributable to such termination. Such payment shall be made immediately following the termination of the Employer's interest in the Policy or, if later, at such time as a determination is made that such a tax is payable.

d. For purposes of this Section 5.03, a tax shall be deemed payable or income shall be deemed recognized, if either (i) it is finally determined by the Internal Revenue Service, or (ii) an opinion is given by the Employer's counsel, that the tax is payable.

e. Any amount to be paid to a Participant, a Participant's spouse, or other Policy Owner under this Section, and the amounts payable, shall be conclusively determined by the Plan Administrator, based on generally applicable tax rates and not based upon the unique tax situation of each Participant, Participant's spouse, or other Policy Owner.

6. ACCOUNTS

With respect to each Policy covered by an Agreement made under this Plan, the Employer shall maintain bookkeeping entries reflecting the Employer Account and Participant Account values.

7. POLICY OWNERSHIP

7.01 Ownership. Except as otherwise provided in this Plan, the Policy Owner shall be the sole and exclusive owner of a Participant's Policy and shall be entitled to exercise all of the rights of ownership including, but not limited to, the right to designate the beneficiary or beneficiaries to receive payment of the portion of the death benefit under the Policy equal to the Coverage Amount, and the right to assign any part or all of the Policy Owner's interest in the Policy (subject to the Employer's rights, the terms and conditions of the Assignment specified in Section 7.02 of the Plan, and the terms and conditions of this Plan) to any person, entity or trust by the execution of a written instrument delivered to the Employer.

7.02 Employer's Rights. In exchange for the Employer's agreement to pay the amounts described in Sections 5.02 and 5.03 of this Plan, the Policy Owner shall execute an Assignment to the Employer of the rights provided to the Employer under this Plan. The Employer shall have the right to direct the Policy Owner in writing to take any action required consistent with these rights, and upon the receipt of such written direction from the Employer, the Policy Owner shall promptly take such action as is necessary to comply therewith. The Employer agrees that it shall not exercise any rights assigned to it in the Assignment in any way that might impair or defeat the rights and interest of the Policy Owner under this Plan. The Employer shall have the right to assign any part or all of its interest in the Policy (subject to the Policy Owner's rights and the terms and conditions of this Plan) to any person, entity or trust by the execution of a written instrument delivered to the Policy Owner.

7.03 Possession of Policy. The Employer shall keep possession of the Policy. The Employer agrees to make the Policy available to the Policy Owner or to the Insurer from time to time for the purposes of endorsing or filing any change of beneficiary on the Policy or exercising any other rights as the owner of the Policy, but the Policy shall promptly be returned to the Employer.

7.04 Policy Loans. Except as otherwise specifically provided for in Section 8 of this Plan, neither the Employer nor the Policy Owner may borrow against the Policy cash values.

7.05 Withdrawals and Surrender. Except as otherwise specifically provided for in Section 8 of this Plan, neither the Employer nor the Policy Owner may withdraw Policy cash values or surrender all or a portion of the Policy. Provided, however, that a cancellation or exchange of a Replaced Policy in connection with the acquisition of a Replacement Policy shall not be deemed a withdrawal from or surrender of the Replaced Policy.

8. TERMINATION OF AGREEMENT

8.01 Termination Events. Notwithstanding anything herein to the contrary, the Participant's Agreement, the Employer's obligation to pay premiums with respect to the Participant's Policy acquired pursuant to the Agreement, shall terminate upon the first to occur of any of the following events:

a. Termination of employment of the Participant with the Employer prior to the Participant's death for reasons other than Retirement or Disability.

b. Termination of the Participant's Agreement by mutual agreement of the Participant and the Employer.

c. A unilateral election by the Participant to terminate the Participant's Agreement; provided, however, that such an election may be made by a Participant only within sixty (60) days following the end of the last Premium Payment Year for the Participant's Policy.

d. The written notice by the Employer to the Participant following a resolution by the Board of Directors of BellSouth Corporation to terminate this Plan and all Agreements made under the Plan.

e. As to Single Life Coverage only, the death of the Participant.

f. As to Survivorship Coverage only, the death of the last survivor of the Participant and the Participant's spouse.

g. After the release of Assignment pursuant to Section 8.03.

8.02 Disposition of Policy

a. In the event of a termination of a Participant's Agreement under Section 8.01 a or b of the Plan, the Policy owner shall be entitled to acquire the Employer's rights under the Participant's Policy by paying to the Employer an amount equal to the Employer Account; alternatively, the Policy Owner can require the Employer to withdraw a portion of the cash values from the Participant's Policy, partially surrender the Policy, or borrow a portion of the cash values from the Participant's Policy, with the amount to be specified by the Policy Owner, and the Policy Owner's required payment to the Employer under this Section shall thereby be reduced to an amount equal to the excess of the Employer Account over the amount withdrawn, received upon partial surrender, or borrowed by the Employer (for these purposes, the amount withdrawn, received upon partial surrender, or borrowed shall refer to the amount actually received by the Employer after the application of any charges, such as surrender charges, applicable to the withdrawal, partial surrender, or borrowing). The Policy Owner may exercise this right to acquire the Employer's interest in the Policy by so notifying the Employer within ninety (90) days after an event of termination under Section 8.01a or b of this Plan has occurred. Within thirty (30) days after receipt of such notice, the Employer shall make any required withdrawal, partial surrender, or policy loan and the Policy Owner shall pay the Employer the applicable payment, if any. Upon receipt of payment from the Policy Owner, or immediately following the withdrawal, partial surrender, or policy loan if no payment is required, the Employer shall release the Assignment and the Policy Owner shall have all rights, title, and interest in the Policy free of all provisions and restrictions of the Assignment, the Agreement and this Plan.

b. Notwithstanding the provisions of Section 8.02a, if the Participant is Terminated for Cause by the Employer, then the Policy Owner shall have no right to acquire the Employer's interest in the Policy.

c. If the Policy Owner fails to exercise his right to acquire the Employer's interest in the Policy pursuant to Section 8.02a or is precluded from exercising such right pursuant to Section 8.02b, the Policy Owner shall transfer title to the Policy to the Employer, free of all provisions and restrictions of the Assignment, the Participant's Agreement and this Plan.

d. In the event of a termination of a Participant's Agreement pursuant to the Participant's election under Section 8.01 c, the Employer shall receive from the Participant's Policy an amount equal to the Employer Account, with such amount to be received through a withdrawal, partial surrender, policy loan, or some combination thereof, as determined by the Employer. Immediately thereafter, the Employer shall release the Assignment and the Policy Owner shall have all rights, title and interest in the Policy free of all provisions and restrictions of the Assignment, the Participant's Agreement, and this Plan.

e. Notwithstanding the provisions of Section 2.08 to the contrary, in the event of a termination of a Participant's Agreement under Section 8.01d, prior to the application of Section 8.02, the Employer Account shall be reduced to an amount equal to the excess, if any, of the cash values of the Policy over the amount of cash value necessary in order for such Policy to immediately qualify as a Permanent Policy after withdrawal of such excess amount. The Employer shall receive from the Policy the reduced Employer Account value and, with such amount to be received through a withdrawal, partial surrender, policy loan, or some combination thereof, as determined by the Employer, and shall, within thirty (30) days of the Plan termination, release the Assignment and the Policy Owner shall have all rights, title, and interest in the Policy free of all provisions and restrictions of the Assignment, the Agreement and this Plan.

8.03 Release of Assignment. At the end of each Policy Year for a Participant's Policy, the Plan Administrator shall determine whether a withdrawal from the Policy by the Employer of an amount equal to the Employer Account, and a release of the Assignment, shall occur with respect to the Participant's Policy. Such withdrawal and release shall be made within ninety (90) days after the end of the first Policy Year as of the end of which: (1) the Participant's Policy would qualify as a Permanent Policy following such withdrawal by the Employer; and, (2) the Participant's Policy would not constitute a Modified Endowment Contract (as such term is defined in Section 7702A of the Internal Revenue Code) following such withdrawal. The Employer withdrawal shall be made though a withdrawal, partial surrender, or policy loan, or some combination thereof, as determined by the Employer. Immediately after receiving the proceeds of the withdrawal, partial surrender, or policy loan, the Employer shall release the Assignment and the Policy Owner shall have all rights, title and interest in the Policy free of all provisions and restrictions of the Assignment, the Participant's Agreement and this Plan.

8.04 Allocation of Death Benefit. In the event of a termination under Section 8.01e or 8.01f of the Plan, the death benefit under the Participant's Policy shall be divided as follows:

a. The beneficiary or beneficiaries of the Policy Owner shall be entitled to receive an amount equal to the Coverage Amount.

b. The Employer shall be entitled to receive the balance of the death benefit.

8.05 Employer Undertakings. Upon the death of the Participant (or, in the case of Survivorship Coverage, the death of the last survivor of the Participant and the Participant's spouse) while the Participant's Agreement is in force, the Employer agrees to take such action as may be necessary to obtain payment from the Insurer of the death benefit to the beneficiaries, including, but not limited to, providing the Insurer with an affidavit as to the amount to which the Employer is entitled under the Agreement and this Plan.

## 9. GOVERNING LAWS AND NOTICES

9.01 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Georgia.

9.02 Notices. All notices hereunder shall be in writing and sent by first class mail with postage prepaid. Any notice to the Employer shall be addressed to BellSouth Corporation at its office at 1155 Peachtree Street, N.E., Atlanta, GA 30367-6000, ATTENTION: Human Resources-Director Executive Benefits. Any notice to the Employee shall be addressed to the Employee at the address following such party's signature on his Agreement. Any party may change the address for such party herein set forth by giving notice of such change to the other parties pursuant to this Section.

## 10. NOT A CONTRACT OF EMPLOYMENT

This Plan and any Agreement executed hereunder shall not be deemed to constitute a contract of employment between an Employee and the Employer or a Participant and the Employer, nor shall any provision restrict the right of the Employer to discharge an Employee or Participant, or restrict the right of an Employee or Participant to terminate employment.

## 11. AMENDMENT, TERMINATION, ADMINISTRATION, CONSTRUCTION AND SUCCESSORS

11.01 Amendment. The Board of Directors of BellSouth Corporation, or its delegate, shall have the right in its sole discretion, to amend the Plan in whole or in part at any time and from time to time. In addition, the Plan Administrator shall have the right, in its sole discretion, to amend the Plan at any time and from time to time so long as such amendment is not of a material nature. Notwithstanding the foregoing, no modification or amendment shall be effective so as to decrease any benefits of a Participant unless the Participant consents in writing to such modification or amendment. Written notice of any material modification or amendment shall be given promptly to each Participant.

11.02 Termination. The Board of Directors of BellSouth Corporation may terminate the Plan without the consent of the Participants or Employees. Provided, however, in the event of a termination of the Plan by the Employer, the Participants will have those rights specified in Section 8.02e of the Plan.

11.03 Interpretation. As to the provisions of the Assignment, the Agreement and the Plan, the provisions of the Assignment shall control. As between the Agreement and the Plan, the provisions of the Agreement shall control.

11.04 Successors. The terms and conditions of this Plan shall endure to the benefit of and bind the Employer, the Participant, their successors, assignees, and representatives. If, subsequent to the Effective Date of the Plan, substantially all of the stock or assets of the Employer are acquired by another corporation or entity or if the Employer is merged into, or consolidated with, another corporation or entity, then the obligations created hereunder shall be obligations of the acquirer or successor corporation or entity.

## 12. PLAN ADMINISTRATION

12.01 Individual Administrator. If the Plan Administrator is an individual, he shall act and record his actions in writing. Any matter concerning specifically such individual's own benefit or rights hereunder shall be determined by the Board of Directors of BellSouth Corporation or its delegate.

12.02 Administrative Committee. If the Plan Administrator is a committee, or if any of the duties or responsibilities of the Plan Administrator are vested in a committee, action of the Plan Administrator may be taken with or without a meeting of committee members; provided, action shall be taken only upon the vote or other affirmative expression of a majority of the committee members qualified to vote with respect to such action. If a member of the committee is a Participant, he shall not participate in any decision which solely affects his own benefit under the Plan. For purposes of administering the Plan, the Plan Administrator shall choose a secretary who shall keep minutes of the committee's proceedings and all records and documents pertaining to the administration of the Plan. The secretary may execute any certificate or other written direction on behalf of the Plan Administrator.

12.03 Rights and Duties of the Plan Administrator. The Plan Administrator shall administer the Plan and shall have all powers necessary to accomplish that purpose, including (but not limited to) the following:

a. to construe, interpret and administer the Plan;

b. to make determinations required by the Plan, and to maintain

c. records regarding Participants' benefits hereunder;

d. to compute and certify the amount and kinds of benefits payable to Participants, and to determine the time and manner in which such benefits are to be paid;

e. to authorize all disbursements pursuant to the Plan;

f. to maintain all the necessary records of the administration of the Plan;

g. to make and publish such rules and procedures for the regulation of the Plan as are not inconsistent with the terms hereof.

h. to designate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder; and

i. to hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan.

The Plan Administrator shall have the exclusive right to construe and interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of benefits, and its decisions on such matters shall be final and conclusive on all parties.

12.04 Bond; Compensation. The Plan Administrator and (if applicable) its members shall serve as such without bond and without compensation for services hereunder.

13. CLAIMS PROCEDURE

13.01 Named Fiduciary. The Plan Administrator is hereby designated as the named fiduciary under this Plan.

13.02 Claims Procedures. Any controversy or claim arising out of or relating to this Plan shall be filed with the Plan Administrator which shall make all determinations concerning such claim. Any decision by the Plan Administrator denying such claim shall be in writing and shall be delivered to all parties in interest in accordance with the notice provisions of Section 9.02 hereof. Such decision shall set forth the reasons for denial in plain language. Pertinent provisions of the Plan shall be cited and, where appropriate, an explanation as to how the Employee can perfect the claim will be provided. This notice of denial of benefits will be provided within 90 days of the Plan Administrator's receipt of the Employee's claim for benefits. If the Plan Administrator fails to notify the Employee of its decision regarding the claim, the claim shall be considered denied, and the Employee shall then be permitted to proceed with the appeal as provided in this Section.

An Employee who has been completely or partially denied a benefit shall be entitled to appeal this denial of his/her claim by filing a written statement of his/her position with the Plan Administrator no later than sixty (60) days after receipt of the written notification of such claim denial. The Plan Administrator shall schedule an opportunity for a full and fair review of the issue within thirty (30) days of receipt of the appeal. The decision on review shall set forth specific reasons for the decision, and shall cite specific references to the pertinent Plan provisions on which the decision is based.

Following the review of any additional information submitted by the Employee, either through the hearing process or otherwise, the Plan Administrator shall render a decision on the review of the denied claim in the following manner:

a. The Plan Administrator shall make its decision regarding the merits of the denied claim within 60 days following receipt of the request for review (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). The Plan Administrator shall deliver the decision to the claimant in writing. If an extension of time for reviewing the appealed claim is required because of special circumstances, written notice of the extension shall be furnished to the Employee prior to the commencement of the extension. If the decision on review is not furnished within the prescribed time, the claim shall be deemed denied on review.

b. The decision on review shall set forth specific reasons for the decision, and shall cite specific references to the pertinent Plan provisions on which the decision is based.

Exhibit "A"
BellSouth Split-Dollar Life Insurance Plan
Agreement

This Agreement is made effective as of January l' 1998, by and between the Employer and _____ (the "Participant").

WHEREAS, the Employer and the Participant executed an agreement (the 'Prior Agreement') under the [BellSouth Corporation Executive life Insurance Plan] [BellSouth Corporation Senior Manager Life Insurance Plan] (the Prior Plan): and

WHEREAS, the Prior Plan has been amended and restated as the BellSouth Split-Dollar Life Insurance Plan (the "Plan"): and

WHEREAS, in exchange for coverage under the Plan as amended and restated, the Participant consents and agrees to the terms of the Plan, as amended and restated:

NOW THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Employer and the Participant hereby mutually covenant and agree as follows:

1. This Agreement shall constitute an amendment and restatement of the Prior Agreement and, as of the effective date of this Agreement, the Prior Plan and Prior Agreement shall be tent1inated and replaced by the Plan and this Agreement

2. The Policy subject to this Agreement is Policy number _____, issued by Pacific Life Insurance Company (the Replacement Policy, which replaces the Replaced Policy. As of the effective date of this Agreement, no further benefits will be provided to the Participant or Employer under the Replaced Policy, and such Policy will be canceled.

3 The Replaced Policy Cash Value shall be transferred directly to the Replacement Policy as of the effective date of this Agreement

4. The Coverage Amount shall be $ _____ of [Single Life] [Survivorship] Coverage.

5 The Premium Payment Years shall be consecutive Policy Years.

6. For each Policy Year beginning after 1998, the total Policy premium for each year which is a Premium Payment Year shall be $ _____, and the Employer Premium shall equal such total Policy premium reduced by the Participant Premium payable by the Participant for such Policy Year.

7. The Policy Owner for the Replacement Policy shall be the same as the Policy Owner for the Replaced Policy.

8. The Participant agrees to pay the Participant Premium contribution as specified in the Plan, and consents to paying such amount to the Employer through regular payroll (or retirement income) deductions.

9 The Participant has read and understands the provisions of the Plan, and agrees that all of the terms and conditions specified in the Plan are hereby incorporated by reference herein and form a part of this Agreement

10 Subject to the terms of the Plan, this Agreement shall not be amended or modified without the written consent of the Participant and the Employer.

11. This Agreement shall be governed by the laws of the State of Georgia.

_____ _____
Date For the Employer

_____ _____
Date Signature of Participant

_____

_____

_____
Address of Participant

This Assignment is made by the undersigned Policy Owner effective January 1, 1998.

DEFINITIONS:

| | |
|---|---|
| ASSIGNEE: | BellSouth Corporation |
| PARTICIPANT: | |
| POLICY OWNER: | |
| INSURED(S): | |
| INSURER: | Pacific life Insurance Company |
| POLICY: | Policy # _____ issued by the insurer |
| REPLACED POLICY: | Policy # _____ issued by the Insurer |
| SPLIT-DOLLAR LIFE INSURANCE PLAN AGREEMENT (THE "AGREEMENT") | That certain Agreement executed to be effective on January 1, 1998, between the Participant and the Assignee. |
| COVERAGE AMOUNT | That portion of the death benefit coverage under the Policy equal to $_____ |

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RECITALS:

1. The benefits provided to the Policy Owner under the Policy replace those previously provided under the Replaced Policy.

2. Under the Agreement, the Assignee has agreed to assist the Policy Owner in the payment of premiums on the Policy issued by the Insurer.

3. In consideration of such premium payments by the Assignee, the undersigned Policy Owner intends to grant the Assignee certain limited interests in the Policy.

THEREFORE, for value received, it is agreed:

1. ASSIGNMENT. The Policy Owner hereby assigns, transfers, and sets over to the Assignee, its successors and assigns, the following specific rights in the Policy and subject to the following tenT1S and conditions:

a. the sole right to make withdrawals or borrow against the cash value of the Policy, as provided in Sections 8.02a, 8.02d, 8.02e and 8.03 of the Plan;

b. the right to receive from the Insurer upon the death of the Insured(s) the proceeds of the Policy in excess of the Coverage Amount;

c. the sole right to surrender all or a portion of the Policy and receive the surrender value thereof, as provided in Sections 8.02a, 8.02d, 8.02e and 8.03 of the Plan.

2. RETAINED RIGHTS. Except as expressly provided in Section 1, the Policy Owner retains all rights under the Policy including but not limited to:

a. the right to designate and change the beneficiary; and

b. the right to elect any optional mode of settlement entitled by the Policy or Insurer, subject only to the Assignee's right in Section 1.(b).

3. AUTHORIZATION. For purposes of Sections 1 and 2, the signature of either the Assignee or the Policy Owner shall be sufficient Both the Assignee and the Policy Owner acknowledge that between themselves, they are bound by the limitations of this Assignment and that the Insurer will recognize the signature of either.

4. INSURER. The Insurer is hereby authorized to recognize, and is fully protected in recognizing the claims of the Assignee to rights hereunder, without investigating the reasons for such action by the Assignee, or the validity or the amount of such claims, nor giving notice to the Policy Owner of such claims of rights or interest to exercise such rights. Insurer reserves the right to require signatures of both the Assignee and the Policy Owner to exercise any or all ownership rights, as is their normal procedure.

5. DEATH PROCEEDS. The Insurer shall pay to the Assignee that portion of the death benefit to which it is entitled. Payment by the Insurer of any or all of the death proceeds to the Assignee in reliance upon a signed authorization by any officer of the Assignee as to the share of death proceeds due it shall be a full discharge of the Insurer for such share and shall be binding on all parties claiming any interest in the Policy.

6. RELEASE OF ASSIGNMENT. Upon payment to the Assignee of those amounts due to it under the terms of the Agreement, the Assignee shall execute a written release of this Assignment to the Insurer who may then treat the Policy Owner of the Policy as the sole Policy Owner for all purposes.

7. ASSIGNMENT CONTROLS. In the event of any conflict between the provisions of this Assignment and provisions of the Agreement with respect to the Policy or rights of collateral assignment therein, the provisions of this Assignment shall prevail.

8. CANCELLATION OF REPLACED POLICY. The Policy Owner agrees that no further benefits will be provided under the Replaced Policy, and that benefits provided under the Policy are in lieu of the benefits previously provided under the Replaced Policy.

IN TESTIMONY WHEREOF, the Policy Owner has executed this Assignment to be effective January 1, 1998.

_____
Signature of Policy Owner

_____
Date

BELLSOUTH CORPORATION
EXECUTIVE LONG TERM DISABILITY
AND
SURVIVOR PROTECTION PLAN

Section 1. Definitions

1. "Plan" shall mean the BellSouth Corporation's Executive Long Term Disability and Survivor Protection Plan.

2. "Company" shall mean the BellSouth Corporation, a Georgia corporation, or its successors.

3. "Pension Plan" shall mean the BellSouth Personal Retirement Account Pension Plan.

4. "Disability Benefit Plan" shall mean the Company's Short Term Disability Plan and Long-Term Disability Plan.

5. "Supplemental Executive Retirement Plan" shall mean the BellSouth Supplemental Executive Retirement Plan.

6. "Short Term Plan" shall mean the Company's Short Term Incentive Plan.

7. "Committee" shall mean the Employee's Benefit Committee, appointed by the Company, which shall administer the Plan.

8. (a) "Participant," for purposes of the disability allowance under section 2, shall mean an employee on the active rolls of the Company on or after the effective date of the plan and who holds a position that the Company's Board of Directors has designated to be within the Company's Executive Group.

(b) "Participant," for purposes of the BellSouth Group Life Plan benefit under Section 3, shall mean a former employee of the Company who was a participant under a paragraph 8(a) above on the last day of employment, if such former employee is eligible to receive a disability allowance under Section 2, or is eligible to receive a Minimum Retirement Benefit under the Supplemental Executive Retirement Plan.

(c) "Participant," for purposes of the medical benefits under Section 4, shall mean a former employee of the Company who was a participant under paragraph 8(a) above on the last day of employment, if such former employee is eligible to receive a Disability Allowance under Section 2.

(d) For purposes of paragraphs 8(b), and 8(c), above, a former employee shall be considered to be eligible to receive Disability Allowance under Section 2 or a Minimum Retirement Benefit under the Supplemental Executive Retirement Plan if he has met the conditions specified in Section 2 or the Supplemental Executive Retirement Plan, even though the receipt of other benefits by such former employee precludes his receipt of any benefits under Section 2 or the Supplemental Executive Retirement Plan.

9. "Term of Employment" shall have the same meaning as the meaning assigned to such expression in the Pension Plan.

10. (a) "Annual Basic Pay," shall mean the participant's annual base salary rate (including those amounts previously deferred pursuant to other plans) as determined by the Company on the last day the participant was on the active payroll plus an amount determined was on the active payroll plus an amount determined with reference to the Short Term Incentive Plan, but excluding all other payments and all cash payments and distributions made under the BellSouth Executive Long Term Incentive Plan or Shareholder Return Cash Plan. The amount determined with reference to the Short Term Incentive Plan shall be the lesser of the participant's standard short term award in effect on the last day the participant was on the active payroll or 60% of the participant's annual base salary rate (including those amounts previously deferred pursuant to other plans) on the last day participant was on active payroll.

11. The use of personal pronouns of the masculine and feminine genders.

Section 2. Disability Allowance

1. (a) Participant shall be considered to be a "disabled" at any time during the first twenty-six week period following the onset of a physical or mental impairment, if such impairment prevents the participant from meeting the performance requirements of the position held immediately preceding the onset of the physical or mental impairment.

(b) A participant shall be considered to be "disabled" after the first twenty-six week period following the onset of a physical or mental impairment if such impairment prevents the participant from meeting the performance requirements of (1) the position held immediately preceding the onset of the physical or mental impairment, (2) a similar position, or (3) any appropriate portion within the Company which the participant would otherwise be capable of performing by reason of the participant's background and experience.

(c) The Committee shall make the determination of whether a participant is disabled within the meaning of paragraphs (a) and (b) above and its determinations shall be final and conclusive.

2. A participant who is disabled during a period described in paragraph 1(a) shall be eligible to receive a monthly disability allowance equal to 100 percent of the participant's monthly base salary rate (including those amounts previously deferred pursuant to other plans) on the last day the participant was on the active payroll, reduced by any amounts described in paragraph 5(a) of this Section 2 which are attributable to the period for which benefits are provided under this paragraph.

3. A participant who is disabled during a period described in paragraph 1(b) shall, prior to his sixty-fifth birthday, be eligible to receive a monthly disability allowance equal to the greater of (i) sixty percent or (ii) the percentage determined by adding ten percentage points to participant's income replacement percentage under the basic Company-sponsored long-term disability coverage, of the participant's monthly base salary rate (including those amounts previously deferred pursuant to other plans) on the last day the participant was on the active payroll, reduced by any amounts described in paragraph 5(b) of this Section 2 which are attributable to the period for which benefits are provided under this paragraph.

4. A participant who is disabled during a period described in paragraph 1(b) shall commencing with his sixty-fifth birthday or the start of the period described in paragraph 1(b), if later, be eligible to receive a monthly disability allowance equal to the greater of:

(i) one and one-quarter percent of the participant's annual basic pay, as defined in paragraph 10 of Section 1, on the last day the participant was on the active payroll, or

(ii) if the participant's term of employment has been five years or more, ninety percent of the sum of (a) the monthly pension the participant would have been entitled to receive commencing at age sixty-five under the Company's Pension Plan as in effect on the last day the participant was on the active payroll, but ignoring any minimum service requirements for eligibility to a service pension, if the period after the last day the participant's sixty-fifth birthday had been included in the participant's term of employment under the Pension Plan, plus (b) the monthly pension the participant would have been entitled to receive commencing at age 65 under the Supplemental Executive Retirement Plan as in effect on the last day the participant was on the active payroll, but ignoring any minimum service requirements for eligibility to a pension if the period after the last day the participant was on the active payroll and prior to the participant's sixty-fifth birthday had been included in the participant's term of employment under the Supplemental Executive Retirement Plan, reduced by any

amounts described in paragraph 5(c) of this Section 2 which are attributable to the period for which benefits are provided under this paragraph.

5. (a) The disability allowance determined for any period under paragraph 2 of this Section 2 shall be reduced by the sum of the following benefits received by the participant which are attributable to the period for which such disability allowance is provided; a service, deferred vested, or disability pension under the Pension Plan or the Supplemental Executive Retirement Plan, a disability benefit under the disability benefit plan, any worker's compensation benefit, plus any other benefit payments required by law on account of the participant's disability. However, no reduction shall be made on account of any pension under the Pension Plan or the Supplemental Executive Retirement Plan at a rate greater than the rate of such pension on the date the participant first received such pension after his disability.

(b) The disability allowance determined for any period under paragraph 3 of this Section 2 shall be reduced by the sum of the following benefits received by the participant which are attributable to the period for which such disability allowance is provided; a service, deferred vested, or disability pension under the Pension Plan or the Supplemental Executive Retirement Plan, a disability benefit under the disability benefit plan, any other retirement income payments from the Company, any worker's compensation benefit, plus any Social Security Insurance Benefit.

However, no reduction shall be made on account of any pension under the Pension Plan or the Supplemental Executive Retirement Plan at a rate greater than the rate of such pension on the date the participant first received such pension after his disability, and no reduction shall be made on account of any Social Security Benefit at a rate greater than the rate which the participant would have first been eligible to receive after his disability and as if no other member of his family were eligible for any Social Security Benefit.

Furthermore, the Board of Directors of the Company, in its discretion, may reduce the disability allowance by the amount of outside compensation or earnings of the participant for work performed by the participant during the period for which such disability allowance is provided.

(c) The disability allowance determined for any period under paragraph 4 of this Section 2 shall be reduced by the sum of the following benefits received by the participant which are attributable to the period for which such disability allowance is provided; a service, deferred vested, or disability pension under the Pension Plan or the Supplemental Executive Retirement Plan, a disability benefit under the disability benefit plan, any other retirement income payments from the Company, plus any worker's compensation benefit. However, no reduction shall be made on account of any pension under the Pension Plan or the Supplemental Executive Retirement Plan at a rate greater than the rate of such pension on the date the participant first received such pension after his disability.

6. For purposes of paragraphs 1(a) and 1(b) of this Section 2, the measurement of time following the onset of a physical or mental impairment shall coincide with the measurement of time used to calculate periods of disability benefits under the disability benefit plan. Successive periods of physical or mental impairment shall be counted together in computing the periods during which the participant shall be entitled to the benefits provided under paragraph 2 or paragraph 3 of this Section 2, except that any disability absence after the participant has been continuously engaged in the performance of duty for thirteen weeks shall be considered to commence a new period of physical or mental impairment under paragraph 1(a), so that such participant shall be entitled during such new period to the benefits provided under paragraph 2 of this Section 2.

7. With respect to a participant not subject to mandatory retirement at age 65 under the Age Discrimination in Employment Act (29 U.S.C. 6721 et. seq.), the period of eligibility for the disability allowance provided in paragraph 3 of this section 2 and the period of eligibility for the disability allowance provided in paragraph 4 of this section 2, shall be the period described in paragraph 3, and the period described in paragraph 4, respectively, or such other period as is required under the Age Discrimination in Employment Act or under any applicable governing regulations or interpretations thereunder.

Section 3 Group Life Insurance Benefit

A participant described in paragraph 8(b) of Section 1 who has not retired on a service or a disability pension under the Pension Plan, shall be entitled to the same rights and benefits under the BellSouth Group Life Plan as if the employee had retired on a service pension or a disability pension under the Pension Plan. Benefits provided by this section shall be in lieu of any other rights to continued coverage which a participant may have under the BellSouth Group Life Plan.

Section 4 Medical Expense Benefits

A participant described in paragraph 8(c) of Section 1 who has not retired on a service pension or a disability pension under the Pension Plan, shall be entitled to the same rights and benefits under the Company's medical plan and dental plan as an employee who retired on a service pension or a disability pension under the Pension Plan.

Section 5 Claims and Appeals

Any claim under the Plan by a Participant or anyone claiming through a Participant shall be presented to the Committee. Any person whose claim under the Plan has been denied may, within 60 days after receipt of notice of denial, submit to the Compensation Committee of the Company's Board of Directors a written request for review of the decision denying the claim. The Compensation Committee of the Company's Board of Directors shall determine conclusively for all parties all questions arising in the administration of the Plan.

Section 6 General Provisions

1. The Plan shall be effective on January 1, 1984.

2. The rights of the participant or his spouse to benefits under the Plan shall not be subject to assignment or alienation.

3. All costs of providing the benefits under the Plan shall be charged to the operating expense accounts of the Company when and as paid.

4. The Company may from time to time make changes in the Plan and the Company may terminate the Plan. In addition, the Company's senior human resources officer with the concurrence of the Company's general counsel shall be authorized to make minor or administrative changes to the Plan, as well as changes dictated by the requirements of federal or state statutes applicable to the Company or authorized or made desirable by such statutes. Such changes or termination shall not affect the rights of any participant or surviving spouse, without his consent, to any benefit under the Plan to which such participant or surviving spouse may have previously become entitled as a result of a disability, death or termination of employment which occurred prior to the effective date of such change or termination.

5. In the case of accident resulting in injury to or death of a participant which entitles the participant or his surviving spouse to benefits under the Plan, the participant or his surviving spouse may elect to accept such benefits or to prosecute such claims at law as the participant or the surviving spouse may have against the Company. If election is made to accept the benefits under the Plan, such election shall be in writing and shall release the Company from all claims and demands which the participant or his surviving spouse may have against it, otherwise than under this Plan or under any other Plan maintained by the Company, on account of such accident. The Committee, in its discretion, may require that election described above shall release any other company connected with the accident, including any company participating in the Pension Plan. The right of the Participant to a disability allowance under Section 2 of the Plan shall lapse if election to accept such benefits, as above provided, is not made within sixty days after injury, or within such greater time as the Committee shall, by resolution duly entered on its records, fix for the making of such election.

6. Should claim other than under this Plan or under any other plan maintained by the Company be presented or suit brought against the Company, against any other company participating in the Pension Plan or against any other company for which arrangements have been made, directly or indirectly, for interchange of benefit obligations, as described in the Pension Plan, for damages on account of injury or death of a participant, nothing shall be payable under this Plan on account of such injury or death as provided in paragraph 7 of this Section 6; provided however, that the Committee may, in its discretion and upon such terms as it may prescribe waive this provision if such claims be withdrawn or if such suit be discontinued.

7. In case any judgment is recovered against the company or any settlement is made of any claim or suit on an account of the injury or death of a participant, and the total amount which would otherwise have been payable under the Plan and under any other Plan maintained by the Company is greater than the amount paid on account of such judgment or settlement, the lessor of (1) difference between such two amounts, or (2) the amount which would otherwise have been payable under this Plan, may in the discretion of the committee, be distributed to the beneficiaries who would have received benefits under the Plan.

8. All benefits provided under the Plan with respect to a participant shall be forfeited and canceled in their entirely if the participant, without the consent of the Company and while employed by the Company or after termination of such employment, becomes associated with, becomes employed by or renders services to or owns interest in any business (other than as a shareholder with a non-substantial interest in such business) that is competitive with the Company or with any business with which a subsidiary or affiliated company has a substantial interest, as determined by the Committee. All benefits provided under the Plan with respect to a participant shall be forfeited and canceled in their entirety if the participant is discharged by the Company for cause or the participant engages in misconduct in connection with the participant's employment.

EXHIBIT C

CINGULAR WIRELESS BLS EXECUTIVE TRANSITION SUPPLEMENTAL LIFE INSURANCE PLAN

1. Section 1 "Purpose" shall be restated as follows: "The purpose of the Cingular Wireless BLS Executive Transition Supplemental Life Insurance Plan is to provide an insurance arrangement under which Cingular Wireless LLC and its subsidiaries and affiliates can assist key employee in acquiring and financing life insurance coverage. The Cingular Wireless BLS Executive Transition Supplemental Life Insurance Plan is intended as a follow on and continuation of the BellSouth Supplemental Life Insurance Plan, as such Plan was in effect as of December 23, 2001. The terms of the BellSouth Supplemental Life Insurance Plan in effect on December 23, 2001, except as herein amended, are incorporated by reference and made a part of the Plan."

2. All references in the Plan to BellSouth Corporation shall be deemed to reference to Cingular Wireless.

3. Eligibility and Participation. Participation in the Plan shall be limited to those former executives who (a) were eligible to participate in the BellSouth Supplemental Life Insurance Plan, (b) were contributed to Cingular Wireless as part of the formation of Cingular Wireless LLC on or before December 31, 2001 and (c) are identified by name as eligible to continue participation in this Plan on Appendix B, hereto. No other Cingular Wireless employees are eligible to participate in or receive benefits from the plans.

4. Section 2.01 "Coverage Amount" means the existing coverage levels as set forth in the BellSouth Supplemental Life Insurance Plan's Participant's Policy in effect at the employee's contribution to Cingular Wireless. Increased coverage levels will not be available under the Cingular Wireless BLS Executive Transition Supplemental Life Insurance Plan pursuant to Section 4.02.

5. Section 2.06 "Employer" means Cingular Wireless LLC and any subsidiary or affiliate of Cingular Wireless LLC that is authorized by Cingular Wireless to participate in the Plan.

6. Section 2.14 "Plan" means the Cingular Wireless BLS Executive Transition Supplemental Life Insurance Plan.

7. Section 2.15 "Plan Administrator" means the Senior Vice President – Human Resources of the Employer and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder. Pursuant to Section 9, the Senior Vice President – Human Resources shall be authorized to modify or terminate the plan at any time.

8. Section 4.02 "Promotions" shall be restated as follows: "No additional coverage amounts will be provided with respect to promotions or any other event."

9. Section 7.02 is amended to insert Cingular's address in the place of BellSouth's: Glenridge Highlands Two, Suite 760 Executive Director-Executive Benefits, 5565 Glenridge Connector, Atlanta, GA 30342.

10. Any references to the Board of Directors of BellSouth Corporation shall be deemed to be a reference to the Board of Directors/Strategic Review Committee of Cingular Wireless Corporation.

CINGULAR WIRELESS BLS EXECUTIVE TRANSITION SPLIT DOLLAR LIFE INSURANCE PLAN

1. Section 1. "Purpose" shall be restated as follows: "The purpose of the Cingular Wireless BLS Executive Transition Split-Dollar Life Insurance Plan is to provide a split-dollar insurance arrangement under which Cingular Wireless LLC and its subsidiaries and affiliates can assist key employee in acquiring and financing life insurance coverage. The Cingular Wireless BLS Executive Transition Split-Dollar Life Insurance Plan is intended as a follow on and continuation of the BellSouth Split-Dollar Life Insurance Plan, as such Plan was in effect as of December 23, 2001. The terms of the BellSouth Split-Dollar Life Insurance Plan in effect on December 23, 2001, except as herein amended, are incorporated by reference and made a part of the Plan."

2. All references in the Plan to BellSouth Corporation shall be deemed to be a reference to Cingular Wireless LLC.

3. Eligibility and Participation. Participation in the Plans shall be limited to those former executives who (a) were eligible to participate in the BellSouth Split-Dollar Life Insurance Plan, (b) were contributed to Cingular Wireless as part of the formation of Cingular Wireless LLC on or before December 31, 2001, and (c) are identified by name as eligible to continue participation in this Plan on Appendix B, hereto. No other Cingular Wireless employees are eligible to participate in or receive benefits from the plan.

4. Section 2.07 "Employer" means Cingular Wireless LLC and any subsidiary or affiliate of Cingular Wireless LLC that is authorized by Cingular Wireless to participate in the Plan.

5. Section 2.17 "Plan" means the Cingular Wireless BLS Executive Transition Split-Dollar Life Insurance Plan. The remaining provisions of Section 2.17 of the BellSouth Split-Dollar Life Insurance Plan remain in effect.

6. Section 2.18 "Plan Administrator" means the Senior Vice President - Human Resources of the Employer and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder. Pursuant to Section 11, the Senior Vice President - Human Resources shall be authorized to modify or terminate the plan at any time.

7. Coverage levels will be based on existing coverage levels as set forth in the BellSouth Split Dollar Life Insurance Plan Agreement in effect at the employee's contribution to Cingular Wireless.

8. Section 7.02 is amended to insert Cingular's address in the place of BellSouth's: Glenridge Highlands Two, Suite 760 Executive Director-Executive Benefits, 5565 Glenridge Connector, Atlanta, GA 30342

9. Any references to the Board of Directors of BellSouth Corporation shall be deemed to be a reference to the Board of Directors/Strategic Review Committee of Cingular Wireless Corporation.

CINGULAR WIRELESS BLS EXECUTIVE TRANSITION LONG TERM DISABILITY PLAN

1. Section 1.1 "Plan" shall be mean the Cingular Wireless BLS Executive Transition Long Term Disability Plan. The purpose of this plan is to provide supplemental disability coverage to the group disability plan. The Cingular Wireless BLS Executive Transition Long Term Disability Plan is intended as a follow on and continuation of the BellSouth Corporation Executive Long Term Disability and Survivor Protection Plan, as such Plan was in effect as of December 31, 2001. The terms of the BellSouth Corporation Executive Long Term Disability and Survivor Protection Plan in effect on December 31, 2001, except as herein amended, are incorporated by reference and made a part of the Plan.

2. Any reference to BellSouth Corporation shall be deemed to reference Cingular Wireless LLC. Any reference to BellSouth shall be deemed to reference Cingular Wireless.

3. Section 1.2 "Company" shall be amended to insert Cingular Wireless in the place of BellSouth Corporation.

4. Section 1.3 "Pension Plan" shall mean the Cingular Wireless Pension Plan.

5. Section 1.5 "Supplemental Executive Retirement Plan" shall mean the BellSouth Supplemental Executive Retirement Plan.

6. Section 1.6 "Short Term Plan" shall mean short term incentive awards granted under the comparable Cingular Wireless plan, if any.

7. Section 1.7 "Committee" shall be amended to mean the Cingular Wireless Benefit Committee appointed by the Senior Vice President – Human Resources.

8. Eligibility and Participation. Participation in the plan shall be limited to those former BLS executives who (a) previously participated in BellSouth Corporation Executive Long Term Disability and Survivor Protection Plan, (b) were contributed to Cingular Wireless as part of the formation of Cingular Wireless on or before December 31, 2001, and (c) are specifically identified on Appendix B, hereto. No other Cingular Wireless employees are eligible to participate in or receive benefits from the Cingular Wireless BLS Executive Transition Long Term Disability Plan.

9. Section 1.10 "Annual Basic Pay" shall be amended to replace the BellSouth Executive Long Term Incentive Plan with the comparable Cingular Wireless plan, if any, and to delete any reference to the Shareholder Return Cash Plan.

10. Section 2.5(b) The Board of Directors shall mean the Cingular Wireless Board of Directors.

11. The Plan shall be administered by the Senior Vice President – Human Resources of the Employer and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder. Pursuant to Section 6.4, the Senior Vice President - Human Resources shall be authorized to modify or terminate the plan at any time.

**CINGULAR WIRELESS SBC TRANSITION EXECUTIVE BENEFIT PLAN**

WHEREAS, Cingular Wireless Corporation is the manager of Cingular Wireless LLC (the "Company"); and

WHEREAS, SBC Communications, Inc. ("SBC") maintains, for the benefit of certain highly compensated and key management employees, the (1) the Supplemental Retirement Income Plan ("SRIP"), (2) the Pension Make Up Plan, (3) the Supplemental Life Insurance Plan, (3) the Salary and Incentive Award Deferral Plan ("SIAD"), (4) the Senior Management Long Term Disability Plan and (5) the Executive Health Plan (collectively the "SBC Plans") (copies of such plans are attached as Exhibit A hereto); and

WHEREAS, certain former SBC employees, who have been contributed to the Company or an affiliate of the Company, were eligible to participate and receive benefits under the SBC Plans (the "Transition Executives"); and

WHEREAS, the Transition Executives are identified by name and the SBC Plan(s) in which they participated on Exhibit B hereto; and

WHEREAS, the Company desires to adopt the provisions and benefits of the SBC Plans into a new Company plan for the Transition Executives, so that they may continue to benefit from the provisions of the SBC Plans following their contribution to the Company; and

WHEREAS, the new plan shall be known as the Cingular Wireless SBC Transition Executive Benefit Plan (the "Cingular Plan"); and

WHEREAS, the terms of the Cingular Plan shall incorporate by reference the terms of the SBC Plans and shall be the same terms as in effect for the SBC Plans on October 28, 2001, including any amendments adopted through such date, unless otherwise provided in these resolutions or in Exhibit C hereto; and

WHEREAS, the benefits provided to the Transition Executives under the Cingular Plan shall be in lieu of the benefits such employees would have been entitled to receive under the SBC Plans and shall be offset against any benefits payable under the SBC Plans for any reason; and

WHEREAS, the Transition Executives, as identified in Exhibit B, shall be the only employees of the Company and its affiliates eligible to participate and receive benefits under the Cingular Plan and no other employees of the Company or its affiliates shall be permitted to participate in the Cingular Plan;

NOW, THEREFORE, BE IT RESOLVED, that the Cingular Plan, as described herein, is hereby approved and adopted as presented to the Board; provided, the Senior Vice President of Human Resources of the Company is hereby authorized to approve and execute a plan document for the Cingular Plan as he deems appropriate based on the advice of counsel;

FURTHER RESOLVED, that with regard to the Supplemental Life Insurance Plan, the Company is authorized to receive an assignment of all of SBC's obligations, rights and interests in the Supplemental Life Insurance Plan and any underlying policies of insurance, including the obligation to administer the plan and pay any required company contributions;

FURTHER RESOLVED, that the Cingular Plan shall be administered by the Senior Vice President - Human Resources of the Company and his delegates; provided, however, that the Senior Vice President - Human Resources shall be permitted to appoint third party administrators to assist in the administration of the Cingular Plan;

FURTHER RESOLVED, that the Company reserves the unilateral right to modify, amend or terminate the Cingular Plan at any time for any reason, including the right to merge the Cingular Plan or any benefit under it into another Company benefit plan that may provide for different benefits than the Cingular Plan;

FURTHER RESOLVED, that the Chief Operating Officer, the Chief Financial Officer, and the Senior Vice President of Human Resources of the Company are hereby authorized to approve amendments to the Cingular Plan from time to time as they deem necessary or appropriate consistent with the Company's employee benefit policies and based on the input of the Human Resources division, Finance division and other applicable divisions within the Company; provided, no such amendment which is reasonably expected to result in an increase in annual plan expense shall be effective without the approval of the Board;

FURTHER RESOLVED, that the appropriate officers of the Company and its affiliates are hereby authorized to execute such other documents and to take such actions as they may deem necessary or appropriate to implement the Cingular Plan and to carry out the intent and purposes of the foregoing resolutions as shall be necessary to comply with the requirements of the Internal Revenue Code, the Employee Retirement Income Security Act and all other applicable laws; and

RESOLVED, all prior actions taken by any officer of the Corporation and any officers of the Company in connection with the foregoing resolutions are hereby ratified.

EXHIBIT A
SBC Communications Inc.

# SUPPLEMENTAL RETIREMENT INCOME PLAN

Effective: January 1, 1984
Revisions Effective: October 1, 2000

Attachment (Agreement)

1. PURPOSE. The purpose of the Supplemental Retirement Income Plan ("Plan") is to provide Eligible Employees with retirement benefits to supplement benefits payable pursuant to SBC's qualified group pension plans.

2. DEFINITIONS. For purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

ADMINISTRATIVE COMMITTEE. "Administrative Committee" means a Committee consisting of the Senior Executive Vice President-Human Resources and two or more other members designated by the Senior Executive Vice President-Human Resources who shall administer the Plan.

AGREEMENT. "Agreement" means the written agreement (substantially in the form attached to this Plan) that shall be entered into between SBC by the Senior Executive Vice President-Human Resources and a Participant to carry out the Plan with respect to such Participant. Entry into a new Agreement shall not be required upon amendment of the Plan or upon an increase in a Participant's Retirement Percent (which increase shall nevertheless be utilized to determine the Participant's benefits hereunder even though not reflected in the Participant's Agreement), except entry into a new Agreement shall be required in the case of an amendment which alters, to the detriment of a Participant, the benefits described in this Plan as applicable to such Participant (See Section 6.5). Such new Agreement shall operate as the written consent required by Section 6.5 of the Participant to such amendment.

BENEFICIARY. "Beneficiary" shall mean any beneficiary or beneficiaries designated by the Eligible Employee pursuant to the SBC Rules for Employee Beneficiary Designations as may hereafter be amended from time-to-time ("Rules").

CHAIRMAN. "Chairman" shall mean the Chairman of the Board of SBC Communications Inc.

DISABILITY. "Disability" means any Termination of Employment prior to being Retirement Eligible that the Administrative Committee, in its complete and sole discretion, determines is by reason of a Participant's total and permanent disability. The Administrative Committee may require that the Participant submit to an examination by a competent physician or medical clinic selected by the Administrative Committee. On the basis of such medical evidence, the determination of the Administrative Committee as to whether or not a condition of total and permanent disability exists shall be conclusive.

EARNINGS. "Earnings" means for a given calendar year the Participant's: (1) bonus made as a short term award during the calendar year but not exceeding 200% of the target amount of such bonus (or such other portion of the bonus as may be determined by the Human Resources Committee of the Board of SBC), plus (2) base salary before reduction due to any contribution pursuant to any deferred compensation plan or agreement provided by SBC, including but not limited to compensation deferred in accordance with Section 401(k) of the Internal Revenue Code.

ELIGIBLE EMPLOYEE. "Eligible Employee" means an Officer or a non-Officer employee of any SBC company who is designated by the Chairman as eligible to participate in the Plan. Effective on and after July 1, 1994, only an Officer may become an Eligible Employee.

FINAL AVERAGE EARNINGS. "Final Average Earnings" means the average of the Participant's Monthly Earnings for the thirty-six (36) consecutive months out of the one hundred twenty (120) months next preceding the Participant's Termination of Employment which yields the highest average earnings. If the Participant has fewer than thirty-six (36) months of employment, the average shall be taken over his or her period of employment.

IMMEDIATE ANNUITY VALUE. "Immediate Annuity Value" means the annual amount of annuity payments that would be paid out of a plan on a single life annuity basis if payment of the plan's benefit was commenced immediately upon Termination of Employment, notwithstanding the form of payment of the plan's benefit actually made to the Participant (i.e., joint and survivor annuity, lump sum, etc.) and notwithstanding the actual commencement date of the payment of such benefit.

MID-CAREER HIRE. "Mid-Career Hire" means an individual hired or rehired at age 35 or older (i) into a position eligible for benefits under this Plan or (ii) who is subsequently promoted to a position eligible for benefits under this Plan.

MONTHLY EARNINGS. "Monthly Earnings" means one-twelfth (1/12) of Earnings.

OFFICER. "Officer" shall mean an individual who is designated by the Chairman as eligible to participate in the Plan who is an elected officer of SBC or of any SBC subsidiary (direct or indirect).

PARTICIPANT. A "Participant" means an Eligible Employee who has entered into an Agreement to Participate in the Plan.

RETIREMENT. "Retirement" shall mean the Termination of Employment of an Eligible Employee for reasons other than death, on or after the earlier of the following dates: (1) the date the Eligible Employee is Retirement Eligible or (2) the date the Eligible Employee has attained one of the following combinations of age and service at Termination of Employment on or after April 1, 1997, except as otherwise indicated below:

| Net Credited Service | Age |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

With respect to an Eligible Employee who is granted an EMP Service Pension under and pursuant to the provisions of the SBC Pension Benefit Plan - Nonbargained Program ("SBCPBP") upon Termination of Employment, the term "Retirement" shall include such Eligible Employee's Termination of Employment.

RETIREMENT ELIGIBLE. "Retirement Eligible" or "Retirement Eligibility" means that a Participant has attained age 55; provided, however, if (1) the Participant is, or has been within the one year period immediately preceding the relevant date, an Officer with 30 or more Years of Service and has not attained age 55, or (2) the Participant has 15 or more Years of Service and has not attained age 55 and is, or has been within the one year period immediately preceding the relevant date, the Chairman or a Direct Reporting Officer as such term is defined in SBC's Schedule of Authorizations, he shall nevertheless be deemed to be Retirement Eligible. Note: Any reference in any other SBC plan to a person being eligible to retire with an immediate pension pursuant to the SBC Supplemental Retirement Income Plan shall be interpreted as having the same meaning as the term Retirement Eligible.

RETIREMENT PERCENT. "Retirement Percent" means the percent specified in the Agreement with the Participant which establishes a Target Retirement Benefit (see Section 3.1) as a percentage of Final Average Earnings.

SBC. "SBC" means SBC Communications Inc.

SERVICE FACTOR. "Service Factor" means, unless otherwise agreed in writing by the Participant and SBC, either (a) a deduction of 1.43 percent, or .715 percent for Mid-Career Hires, multiplied by the number by which (i) thirty-five (or thirty in the case of an Officer) exceeds (ii) the number of Years of Service of the Participant, or (b) a credit of 0.71 percent multiplied by the number by which (i) the number of Years of Service of the Participant exceeds (ii) thirty-five (or thirty in the case of an Officer). For purposes of the above computation, a deduction shall result in the Service Factor being subtracted from the Retirement Percent whereas a credit shall result in the Service Factor being added to the Retirement Percent.

TERMINATION OF EMPLOYMENT. "Termination of Employment" means the ceasing of the Participant's employment from the SBC controlled group of companies for any reason whatsoever, whether voluntarily or involuntarily.

YEAR. A "Year" is a period of twelve (12) consecutive calendar months.

YEAR OF SERVICE. "Year of Service" means each complete Year of continuous, full-time service as an employee beginning on the date when a Participant first began such continuous employment with any SBC company and on each anniversary of such date, including service prior to the adoption of this Plan.

3. PLAN ("SRIP") BENEFITS.

3.1 TERMINATION OF EMPLOYMENT/VESTING. With respect to (1) a person who becomes a Participant prior to January 1, 1998, or (2) a person who prior to January 1, 1998 is an officer of a Pacific Telesis Group ("PTG") company and becomes a Participant after January 1, 1998, upon such a Participant's Termination of Employment, SBC shall pay to such Participant a monthly SRIP Benefit in accordance with Section 3.3. The amount of such monthly SRIP Benefit is calculated as follows:

Final Average Earnings:
Revised Retirement Percentage
Target Retirement Benefit
Immediate Annuity Value of any SBC/PTG Qualified Pensions
Immediate Annuity Value of any other SBC/PTG Non-Qualified Pensionsother than SRIP
Target Benefit
Age Discount
SRIP Benefit immediately payable upon Termination of Employment

With respect to a person who is appointed an Officer and becomes a Participant on or after January 1, 1998, upon such a Participant's Termination of Employment, SBC shall pay to such Participant a monthly SRIP Benefit in accordance with Section 3.3. The amount of such monthly SRIP Benefit is calculated as follows:

Final Average Earnings
Revised Retirement Percentage
Target Retirement Benefit
Age Discount
Discounted Target Benefit
Immediate Annuity Value of any SBC/PTG Qualified Pensions
Immediate Annuity Value of any SBC/PTG Non-Qualified Pensions, other than SRIP
SRIP Benefit immediately payable upon Termination of Employment

Where in both of the above cases the following apply:

(a) Revised Retirement Percentage = Retirement Percent + Service Factor.

(b) For purposes of determining the Service Factor, the Participant's actual Years of Service as of the date of Termination of Employment, to the day, shall be used.

(c) For purposes of determining the Final Average Earnings, the Participant's Earnings history as of the date of Termination of Employment shall be used.

(d) Age Discount means the Participant's SRIP Benefit shall be decreased by five-tenths of one percent (.5%) for each month that the date of the commencement of payment precedes the date on which the Participant will attain age 60.

Notwithstanding the foregoing, if at the time of Termination of Employment the Participant (1) is, or has been within the one year period immediately preceding Participant's Termination of Employment, an Officer with 30 or more years of Service or (2) has 15 or more Years of Service and is, or has been within the one year period immediately preceding Participant's Termination of Employment, the Chairman or a Direct Reporting Officer, such Participant's Age Discount shall be zero.

Except to true up for an actual short term award paid following Termination of Employment, there shall be no recalculation of a Participant's monthly SRIP Benefit following Participant's Termination of Employment.

If a Participant who has commenced payment of his or her SRIP Benefit dies, his or her Beneficiary shall be entitled to receive the remaining installments of such SRIP Benefit, if any, which are payable in accordance with Section 3.3. If a Participant dies while in active service, Section 4 shall apply.

Notwithstanding any other provision of this Plan, upon any Termination of Employment of the Participant for a reason other than death or Disability, SBC shall have no obligation to the Participant under this Plan if the Participant has less than 5 Years of Service at the time of Termination of Employment.

3.2 DISABILITY. Upon a Participant's Disability and application for benefits under the Social Security Act as now in effect or as hereinafter amended, the Participant will continue to accrue Years of Service during his or her Disability until the earliest of his or her:

(a) Recovery from Disability,

(b) Retirement, or

(c) Death.

Upon the occurrence of either (a) Participant's recovery from Disability prior to his or her Retirement Eligibility if Participant does not return to employment, or (b) Participant's Retirement, the Participant shall be entitled to receive a SRIP Benefit in accordance with Section 3.1.

For purposes of calculating the foregoing benefit, the Participant's Final Average Earnings shall be determined using his or her Earnings history as of the date of his or her Disability.

If a Participant who continues to have a Disability dies prior to his or her Retirement Eligibility, the Participant will be treated in the same manner as if he or she had died while in employment (See Section 4.1).

3.3 BENEFIT PAYOUT ALTERNATIVES. The normal form of a Participant's benefits hereunder shall be a Life with 10-Year Certain Benefit as described in Section 3.3 (a). However, a Participant may elect in his or her Agreement to convert his or her benefits hereunder, into one of the Alternative Benefits described in Section 3.3(b) and (c).

(a) LIFE WITH A 10-YEAR CERTAIN BENEFIT. An annuity payable during the longer of (i) the life of the Participant or (ii) the 10-year period commencing on the date of the first payment and ending on the day next preceding the tenth anniversary of such date (the "Life With 10-Year Certain Benefit"). If a Participant who is receiving a Life with 10-Year Certain Benefit dies prior to the expiration of the 10-year period described in this Section 3.3(a), the Participant's Beneficiary shall be entitled to receive the remaining Life With 10-Year Certain Benefit installments which would have been paid to the Participant had the Participant survived for the entire such 10-year period.

(b) JOINT AND 100% SURVIVOR BENEFIT. A joint and one hundred percent (100%) survivor annuity payable for life to the Participant and at his or her death to his or her Beneficiary, in an amount equal to one hundred percent (100%) of the amount payable during the Participant's life, for life (the "Joint and 100% Survivor Benefit").

(c) JOINT AND 50% SURVIVOR BENEFIT. A joint and fifty percent (50%) survivor annuity payable for life to the Participant and at his or her death to his or her Beneficiary, in an amount equal to fifty percent (50%) of the amount payable during the Participant's life, for life (the "Joint and 50% Survivor Benefit").

The Benefit Payout Alternatives described in Section 3.3(b) and 3.3(c) shall be the actuarially determined equivalent (as determined by the Administrative Committee in its complete and sole discretion) of the Life With 10-Year Certain Benefit that is converted by such election.

Any election made pursuant to this Section 3.3 shall be made in the Participant's Agreement and once made shall be irrevocable. Notwithstanding the foregoing, a Participant may elect in his or her Agreement to defer the time by which he or she is required to elect one of the foregoing forms of Benefit Payout Alternatives. Any such deferred election must be made by the Participant in writing to the Administrative Committee no later than the last day of the calendar year preceding the calendar year in which Participant's Retirement takes place or other benefit payment under this Plan commences.

If a Participant's Agreement fails to show an election of a Benefit Payout Alternative, or if the Participant having chosen to defer his or her benefit election, fails to make a timely election of benefits, such Participant's form of benefit shall be the Life With 10-Year Certain Benefit which is described in Section 3.3(a).

Notwithstanding the foregoing, in the event of the death of a designated annuitant during the life of the Participant, the Participant's election to have a Benefit Payout Alternative described in Section 3.3(b) or 3.3(c) shall be deemed to be revoked, in which event, subject to the conditions and limitations specified in the immediately preceding paragraph, or within the ninety-day period following the death of the annuitant if such period would end later than the time allowed for an election by the immediately preceding paragraph, the Participant may elect to have his or her benefit, or remaining benefit, under the Plan, as the case may be, paid in any of the forms described in this Section 3.3. In the event the Participant's designated annuitant predeceases the Participant and the Participant fails to make a timely election in accordance with the provisions of the immediately preceding sentence, the Participant's benefit, or remaining benefit, as the case may be, shall be paid or reinstated, as the case may be, in the form of a Life With 10-Year Certain Benefit as described in Section 3.3(a). Any conversion of benefit from one form to another pursuant to the provisions of this paragraph shall be subject to actuarial adjustment (as determined by the Administrative Committee in its complete and sole discretion) such that the Participant's new benefit is the actuarial equivalent of the Participant's remaining prior form of benefit. Payments pursuant to Participant's new form of benefit shall be effective commencing with the first monthly payment for the month following the death of the annuitant.

Notwithstanding any other provision of this Plan to the contrary, payment in the form of a Benefit Payout Alternative described in Section 3.3(b) or 3.3(c), with a survivor annuity for the benefit of the Participant's spouse as Beneficiary, may be waived by the annuitant with the consent of the Participant in the event of the divorce (or legal separation) of said annuitant from said Participant. In such event, the Participant's benefit shall be reinstated to the remainder of the Life with 10-Year Certain Benefit as described in Section 3.3(a) (i.e., the 10-Year period as described in Section 3.3(a) shall be the same 10-year period as if such form of benefit was the form of benefit originally selected and the expiration date of such period shall not be extended beyond its original expiration date) effective commencing with the first monthly payment following receipt of the waiver and Participant consent in a form acceptable to the Administrative Committee. A waiver of the type described in this paragraph shall be irrevocable.

4. DEATH BENEFITS

4.1 Death. If a Participant dies prior to his or her Retirement, a pre-retirement death benefit will be calculated and paid as though the Participant had retired on the day prior to the date of death. Notwithstanding the provisions of Section 3.3, if a Participant's Agreement fails to show an election of a Benefit Payout Alternative, or if the Participant, having chosen to defer his benefit election, failed to make a timely election of benefits prior to his death, the form of the pre-retirement death benefit shall, at the option of the Participant's Beneficiary, be either the Life With 10-Year Certain Benefit form of the Participant's benefit or a Beneficiary Life Annuity (as such term is hereinafter described) based on the life expectancy of the Beneficiary. If paid as a Beneficiary Life Annuity based on the Life of the Beneficiary, such benefit shall be the actuarially determined equivalent (as determined by the Administrative Committee in its complete and sole discretion) of the Life With 10-Year Certain Benefit; provided, however, should the Beneficiary die prior to the payment to the Beneficiary of the total dollar amount of the Life with 10-Year Certain Benefit, the remaining dollar balance of such Life With 10-Year Certain Benefit shall be paid in accordance with the Participant's beneficiary designation and the Rules at the same monthly rate of payment as would have been the monthly payment pursuant to the 10-year payment schedule had the Life With 10-Year Certain Benefit been selected.

4.2 Disability. In the event that a Participant terminates employment prior to Retirement by reason of a Disability that entitles the Participant to continue to accrue Years of Service until Retirement Eligibility pursuant to Section 3.2 and thereafter dies after attaining Retirement Eligibility, the Employer shall pay to the Participant's Beneficiary the Death Benefit specified in Section 4.1 based on the Participant's Monthly Earnings for the twelve (12) months preceding his or her Disability. No death benefit shall be payable if the Participant dies prior to attaining Retirement Eligibility.

4.3 Termination of Employment. If a Participant terminates employment other than by reason of Disability prior to Retirement Eligibility, no death benefit shall be payable to the Participant's Beneficiary.

5. PAYMENT.

5.1 Commencement of Payments. Commencement of payments under this Plan shall begin not later than sixty (60) days following the occurrence of an event with entitles a Participant (or a Beneficiary) to payments under this Plan.

5.2 Withholding, Unemployment Taxes. To the extent required by the law in effect at the time payments are made, any taxes required to be withheld by the Federal or any state or local government shall be withheld from payments made hereunder.

5.3 Recipients of Payments; Designation of Beneficiary. All payments to be made under the Plan shall be made to the Participant during his or her lifetime, provided that if the Participant dies prior to the completion of such payments, then all subsequent payments under the Plan shall be made to the Participant's Beneficiary or Beneficiaries.

In the event of the death of a Participant, distributions/benefits under this Plan shall pass to the Beneficiary(ies) designated by the Participant in accordance with the Rules.

5.4 Additional Benefit. The reduction of any benefits payable under the SBC Pension Plan ("SBCPBP"), which results from participation in the SBC Senior Management Deferred Compensation Program of 1988, will be restored under this Plan.

5.5 No Other Benefits. No benefits shall be paid hereunder to the Participant or his or her Beneficiary except as specifically provided herein.

5.6 Small Benefit. Notwithstanding any election made by the Participant, the Administrative Committee in its sole discretion may pay any benefit in the form of a lump sum payment if the lump sum equivalent amount is or would be less than $10,000 when payment of such benefit would otherwise commence.

5.7 Special Increases.

5.7.1 1990 Special Increase. Notwithstanding any other provision of this Plan to the contrary:

(a) Effective July 1, 1990, the monthly pension benefit amount then being paid hereunder to a retired Participant whose Plan payments began before January 1990 shall be increased by 1/30 of 5.0% for each month from and including January 1998 or the month in which said Participant's pension payments began, whichever is later, through and including

June 1990, inclusive.

(b) Effective July 1, 1990, the present and/or future monthly payment hereunder of a surviving annuitant of a Participant whose Plan payments began before January 1990 or of a Participant who died in active service before January 1990, shall be increased by the same percentage as the related pension was or would have been increased under the provisions of Paragraph (a) of this Section 5.7.1.

5.7.2 Enhanced Management Pension (EMP) Flow-Through For Participant Receiving Other Than an SBCPBP "Cash Balance" Benefit. Notwithstanding any other provision of this Plan to the contrary.

(a) Effective December 30, 1991, a Participant who as of the date of his or her Retirement satisfies the requirements for a service pension under the terms of the SBCPBP as it existed prior to December 30, 1991, shall have his or her SRIP Benefit determined without subtracting any increase in his or her SBCPBP (or successor plan) pension amount attributable to the Enhanced Management Pension ("EMP") provisions thereof, i.e., EMP benefits will "flow-through" to the Participant; provided, however, such additional benefit amounts corresponding to term of employment extending beyond age 65 through application of the EMP provisions shall be subtracted.

(b) EMP flow-through shall not apply in the case of any person who becomes an Eligible Employee after December 31, 1997.

5.7.3 1993 Special Increase and Subsequent Special Increases. Notwithstanding any other provisions of this Plan to the contrary:

(a) Effective July 1, 1993, the monthly pension benefit amount then being paid hereunder to (1) all retired Participants whose Plan payments began before July 1, 1993, (2) then current and contingent annuitants of such retired Participants who elected one of the Plan's survivor annuities and (3) then current annuitants of employees who before July 1, 1993 died in active service shall be increased in the same percentages as the SBCPBP ad hoc pension increase percentages effective July 1, 1993.

(b) Any time after July 1, 1993 that SBCPBP is amended to provide for an ad hoc pension increase for SBCPBP nonbargained participants, the same percentage increase shall apply to Plan benefit amounts.

## 6. CONDITIONS RELATED TO BENEFITS.

6.1 Administration of Plan. The Administrative Committee shall be the sole administrator of the Plan and will administer the Plan, interpret, construe and apply its provisions in accordance with its terms. The Administrative Committee shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrative Committee shall be final and binding unless the Board of Directors should determine otherwise.

6.2 No Right to SBC Assets. Neither a Participant nor any other person shall acquire by reason of the Plan any right in or title to any assets, funds or property of any SBC company whatsoever including, without limiting the generality of the foregoing, any specific funds or assets which SBC, in its sole discretion, may set aside in anticipation of a liability hereunder, nor in or to any policy or policies of insurance on the life of a Participant owned by SBC. No trust shall be created in connection with or by the execution or adoption of this Plan or any Agreement, and any benefits which become payable hereunder shall be paid from the general assets of SBC. A Participant shall have only a contractual right to the amounts, if any, payable hereunder unsecured by any asset of SBC.

6.3 Trust Fund. SBC shall be responsible for the payment of all benefits provided under the Plan. At its discretion, SBC may establish one or more trusts, for the purpose of providing for the payment of such benefits. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of SBC's creditors. To the extent any benefits provided under the Plan are actually paid from any such trust, SBC shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by SBC.

6.4 No Employment Rights. Nothing herein shall constitute a contract of continuing employment or in any manner obligate any SBC company to continue the service of a Participant, or obligate a Participant to continue in the service of any SBC company and nothing herein shall be construed as fixing or regulating the compensation paid to a Participant.

6.5 Modification or Termination of Plan. This Plan may be modified or terminated at any time in accordance with the provisions of SBC's Schedule of Authorizations. A modification may affect present and future Eligible Employees. SBC also reserves the sole right to terminate at any time any or all Agreements. In the event of termination of the Plan or of a Participant's Agreement, a Participant shall be entitled to benefits hereunder, if prior to the date of termination of the Plan or of his or her Agreement, such Participant has attained 5 Years of Service, in which case, regardless of the termination of the Plan/Participant's Agreement, such Participant shall be entitled to benefits at such time as provided in and as otherwise in accordance with the Plan and his or her Agreement, provided, however, Participant's benefit shall be computed as if Participant had terminated employment as of the date of termination of the Plan or of his or her Agreement; provided further, however, Participant's service subsequent to Plan/Agreement termination shall be recognized for purposes of reducing or eliminating the Age discount provided for by Section 3.1(d). No amendment, including an amendment to this Section 6.5, shall be effective, without the written consent of a Participant, to alter, to the detriment of such Participant, the benefits described in this Plan as applicable to such Participant as of the effective date of such amendment. For purposes of this Section 6.5, an alteration to the detriment of a Participant shall mean a reduction in the amount payable hereunder to a Participant to which such Participant would be entitled if such Participant terminated employment at such time, or any change in the form of benefit payable hereunder to a Participant to which such Participant would be entitled if such Participant terminated employment at such time. Any amendment which reduces Participant's benefit hereunder to adjust for a change in his or her pension benefit resulting from an amendment to any company-sponsored defined benefit pension plan which changes the pension benefits payable to all employees, shall not require the Participant's consent. Written notice of any amendment shall be given to each Participant.

6.6 Offset. If at the time payments or installments of payments are to be made hereunder, a Participant or his Beneficiary or both are indebted to any SBC company, then the payments remaining to be made to the Participant or his Beneficiary or both may, at the discretion of the Board of Directors, be reduced by the amount of such indebtedness; provided, however, that an election by the Board of Directors not to reduce any such payment of payments shall not constitute a waiver of such SBC company's claim for such indebtedness.

6.7 Change in Status. In the event of a change in the employment status of a Participant to a status in which he is no longer an Eligible Employee, the Participant shall immediately cease to be eligible for any benefits under this Plan except such benefits as had previously vested. Only Participant's Years of Service and Earnings history prior to the change in his employment status shall be taken into account for purposes of determining Participant's vested benefits hereunder.

## 7. MISCELLANEOUS.

7.1 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt of the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

7.2 Non-Competition. Notwithstanding any other provision of this Plan, all benefits provided under the Plan with respect to a Participant shall be forfeited and canceled in their entirety if the Participant, without the consent of SBC and while employed by SBC or any subsidiary thereof or within three (3) years after termination of such employment, engages in competition with SBC or any subsidiary thereof or with any business with which SBC or a subsidiary or affiliated company has a substantial interest (collectively referred to herein as "Employer business") and fails to cease and desist from engaging in said competitive activity within 120 days following receipt of written notice from SBC to Participant demanding that Participant cease and desist from engaging in said competitive activity. For purposes of this Plan, engaging in competition with any Employer business shall mean engaging by the Participant in any business or activity in the same geographical market where the same or substantially similar business or activity is being carried on as an Employer business. Such term shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer business. However, engaging in competition with an Employer business shall include representing or providing consulting services to, or being an employee of, any person or entity that is engaged in competition with any Employer business or that takes a position adverse to any Employer business. Accordingly, benefits shall not be provided under this Plan if, within the time period and without the written consent specified, Participant either engages directly in competitive activity or in any capacity in any location becomes employed by, associated with, or renders service to any company, or parent or affiliate thereof, or any subsidiary of any of them, if any of them is engaged in competition with an Employer business, regardless of the position or duties the Participant takes and regardless of whether or not the employing company, or the company that Participant becomes associated with or renders service to, is itself engaged in direct competition

with an Employer business.

7.3 Notice. Any notice required or permitted to be given to the Administrative Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by certified mail, to the principal office of SBC, directed to the attention of the Senior Vice President-Human Resources. Any notice required or permitted to be given to a Participant shall be sufficient if in writing and hand delivered, or sent by certified mail, to Participant at Participant's last known mailing address as reflected on the records of his or her employing company. Notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for certification.

7.4 Validity. In the event any provision of this Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this plan.

7.5 Applicable Law. This Plan shall be governed and construed in accordance with the laws of the State of Texas to the extent not preempted by the Employee Retirement Income Security Act of 1974, as amended, and regulations thereunder ("ERISA").

7.6 Plan Provisions in Effect Upon Termination of Employment. The Plan provisions in effect upon a Participant's termination of employment shall govern the provision of benefits to such Participant. Notwithstanding the foregoing sentence, the benefits of a Participant whose Retirement occurred prior to February 1, 1989, shall be subject to the provisions of Section 3.3 hereof.

SBC COMMUNICATIONS INC.
PENSION BENEFIT MAKE UP PLAN #1

Effective: January 1, 1995

Revisions Effective: December 1, 1998

Section 1. Purpose: The purpose of the SBC Communications Inc. ("SBC") Pension Benefit Make Up Plan #1 ("Plan"), formerly named the SBC Pension Benefit Make Up Plan, is to recognize, for pension computation purposes, certain compensation being excluded in the determination of retirement benefits under SBC's qualified SBC Pension Benefit Plan or other qualified pension plan(s) of any subsidiary of SBC ("Pension Plan"). Recognition of such compensation by this Plan will make up benefits to eligible employees that would otherwise be lost because such compensation is not recognized in the determination of retirement benefits under the Pension Plan.

Section 2. Background: The Omnibus budget Reconciliation Act of 1993 reduced the amount of annual compensation recognized under the Pension Plan from $235,840 to $150,000 (as indexed) effective for plan years beginning January 1, 1994, i.e., for pension calculations using the January 1, 1989 to December 31, 1993 pay base averaging period. As a result, compensation in excess of $150,000 (as indexed) may not be recognized in the determination of the Pension Plan's retirement benefits. Further, compensation paid pursuant to the SBC Communications Inc. Short Term Incentive Plan ("STIP") is not recognized in the determination of Pension Plan retirement benefits, but is recognized in the determination of retirement benefits provided under the SBC Communications Inc. Supplemental Retirement Income Plan ("SRIP"). Since 1994, newly promoted senior managers have not been made eligible for SRIP benefits (SRIP benefits have been limited to only officer level promotions). As a result, STIP compensation for newly promoted senior managers receiving such compensation is not recognized in the determination of their retirement benefits. This is inconsistent with the treatment afforded all other managers who have either their STIP award or TEAM award, as applicable, recognized for purposes of determining their retirement benefits. Also, limiting the compensation of these newly promoted senior managers and of other eligible managers that may be recognized for purposes of determining retirement benefits to $150,000 (as indexed) is inconsistent with other senior managers who are eligible for SRIP benefits and other managers, respectively, whose recognizable compensation is not limited in this manner.

Finally, effective December 1, 1998, the Plan is revised to modify its rules for making payouts.

Section 3. Eligibility: Participation in this Plan is limited to General Management level (i.e., former third/fourth level) or above (or equivalent) Pension Plan participants in any subsidiary of SBC, ("Subsidiary") who meet one or both of the following: (1) who are not eligible for SRIP benefits and who receive a STIP award; (2) who are not eligible for SRIP benefits and whose annual compensation exceeds the compensation recognizable by the Pension Plan pursuant to Section 401 (a) (17) of the Internal Revenue Code ("IRC"). Eligibility for this Plan shall be interpreted in the broadest possible sense in order that this Plan can recognize all base salary and annual incentive type awards, whenever earned, for the purpose of making up any benefit that would otherwise be lost due to the fact that the Pension Plan is unable to recognize any such compensation in determining retirement benefits.

Section 4. Benefits/Payout Alternatives: The benefits payable pursuant to the Plan, hereinafter the "Make Up Benefit", is equal to the amount that would be payable under the Pension Plan determined without regard to the IRS Section 401(a)(17) limit and without regard to deferrals under any SBC non-qualified plan, and including STIP compensation as compensation recognized in the determination of benefits, less the amount actually payable as a qualified plan benefit under the Pension Plan (including Section 415 excess amounts), and less the amount payable as a Pension Plan make up amount under any other non-qualified plan sponsored by SBC, other than the SBC Mid Career Hire Plan (see Attachment for example calculation). If the benefit payable as a Pension Plan make up amount under any other non-qualified plan is not payable in the same form and manner as are pension payments from the Pension Plan, the reduction for such benefit shall be based on the benefit that would have been payable under such other non-qualified plan had it been payable in the same form and manner. If such form and manner is not available under such plan, such reduction will be actuarially determined, based on factors in effect under the Pension Plan for converting one optional form of benefit to another. The payment of the Make Up Benefit pursuant to this Plan shall be made by the Subsidiary which last employed the eligible employee entitled to benefits under this Plan.

This Plan shall be applied with respect to employees in active service on or after January 1, 1995. The Plan will provide Make Up Benefits to make up benefits for such persons that would otherwise have been lost on or after January 1, 1994 resulting because of the retroactive application of the IRC Section 401 (a) (17) limit.

Notwithstanding the preceding provisions of this Section, if all or a portion of the Make Up Benefit is paid or becomes payable pursuant to the Pension Plan, SRIP, or any other non-qualified plan, then such amount shall not be payable pursuant to this Plan.

Make Up Benefits under the Plan shall be excluded in determining benefits under any pension, retirement, savings, disability, death or other benefit plans of SBC or any Subsidiary, except where required by law.

All applicable federal, state and local taxes required by law to be withheld shall be deducted from Make Up Benefits paid under this Plan.

If any overpayment is made by the Plan for any reason, the Plan shall have the right to recover such overpayment. The participant shall cooperate fully with the Plan to recover any overpayment and provide any necessary information and required documents. Any overpayments may be deducted from future benefits payable to or on behalf of the participant from this or any other non-qualified SBC plan.

Payments of an individual's Make Up Benefit shall be made coincident with and in the same form and manner as are pension payments from the Pension Plan, i.e., such payments shall be made in the same lump sum, single life or joint and survivor annuity form of payment as are payments from the Pension Plan (including payments to the survivor annuitant in the event of the participant's death) and shall be subject to any other reductions applicable to the individual's Pension Plan payments.

Notwithstanding the foregoing, if a participant elects a lump sum payment from the Pension Plan and the present value of the total of all non-qualified Pension Plan make up payments exceeds $50,000, the Make Up Benefit will be paid in monthly installments over 10 years. The monthly installment payments shall be calculated in the same way that a financial institution would calculate the monthly payments for a 10-year fixed interest loan. The interest rate used in the calculations shall be equal to the Pension Plan's Interest Rate in effect on the participant's Benefit Commencement Date for payments under the Pension Plan.

A participant may designate a beneficiary(ies) to receive any remaining payments for which the participant has the right to designate a beneficiary if the participant dies before all payments are made.

Section 5. Administration: The Senior Executive Vice President-Human Resources ("SEVP-HR") or the SEVP-HR's successor shall be the sole administrator of the Plan and will administer the Plan, interpret, construe and apply its provisions in accordance with its terms. The SEVP-HR shall further establish, adopt or revise such rules and regulations as the SEVP-HR may deem necessary or advisable for the administration of the Plan. All decisions of the SEVP-HR shall be final and binding.

Section 6. Small Distribution: Notwithstanding any other provision of this Plan, the Subsidiary paying a Make Up Benefit to an individual hereunder may distribute such benefit in the form of a lump sum distribution if the present value of such distribution is less than $10,000 when such distribution would otherwise commence.

Section 7. Loss Of Eligibility: In the event that any participant ceases to be an eligible employee by reason of a change to an employment status which is not eligible to participate in this Plan, such participant shall nevertheless continue to be eligible to receive benefits under this Plan however, no additional benefits shall be accrued under this Plan. Notwithstanding the preceding sentence of this Section, if a participant ceases to be eligible for this Plan and becomes eligible to receive the equivalent of his/her Make Up Benefit or a portion thereof pursuant to another non-qualified plan sponsored by SBC, to the extent such Make Up Benefit is paid pursuant to such other plan, no duplication of such payment shall be made pursuant to this Plan.

Section 8. Ineligible Participant: Notwithstanding any other provision of this Plan to the contrary, if any participant in this Plan is determined not to be "in a select group of

management or highly compensated employees" within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, or regulations thereunder, such participant will not be eligible to continue to participate in this Plan and shall receive an immediate lump sum distribution of the Make Up Benefits payable pursuant to this Plan. Such Make Up Benefits shall be determined as though the participant had terminated employment on the date such participant is deemed to be ineligible. Upon such payment, no other distribution shall thereafter be payable under this Plan.

Section 9. Unsecured General Creditor: Participants and their beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interest, or claims in any property or assets of SBC or any Subsidiary. No assets shall be held under any trust for the benefit of employees, their beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations under this Plan. Any and all of SBC's or any Subsidiary's assets shall be, and remain, the general, unpledged, unrestricted assets of SBC or any such Subsidiary. SBC's or any Subsidiary's obligation under the Plan shall be merely that of an unfunded and unsecured promise of SBC or any such Subsidiary to distribute cash under the Plan in the future.

Section 10. Nonassignability: Neither a participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, hypothecate or convey in advance of actual receipt, any part or all of the amounts payable hereunder, which are and all rights to which are, expressly declared to be nonassignable and nontransferable. No such amounts shall be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separation maintenance owed by a participant or any other person, nor, be transferable by operation of law in the event of a participant's or any other person's bankruptcy or insolvency. Any such attempted assignments to transfer shall be void.

Section 11. Employment Not Guaranteed: Nothing contained in this Plan nor any action taken hereunder shall be constructed as a contract of employment or as giving any employee any right to be retained in the employ of SBC or any Subsidiary.

Section 12. Applicable Law: This Plan shall be governed by and interpreted in accordance with ERISA. Further, the Plan shall be construed, administered, and enforced according to the applicable laws of the State of Texas to the extent such laws are not preempted by ERISA. Nothing herein shall be construed as waiving any preemption of the application of state law to the Plan to the extent such preemption is provided under ERISA.

Section 13. Amendment: The Plan may at any time be amended or terminated in accordance with the provisions of SBC's Schedule of Authorizations , but such changes or termination shall not adversely effect the rights of any eligible employee, without his or her written consent, to any Make Up Benefit payable under the Plan to which such employee may have previously become entitled prior to the effective date of such change or termination.

Section 14. Beneficiary(ies): The SBC Rules for Employee Beneficiary Designations as may hereafter be amended from time to time ("Rules"), which Rules are incorporated herein by this reference, shall apply hereunder to the extent that a participant shall have the right to designate a beneficiary to receive any benefits hereunder. For purposes of this Plan, "beneficiary" shall thus mean any beneficiary or beneficiaries designated by the participant pursuant to the Rules, or otherwise determined pursuant to such Rules if the participant fails to designate a beneficiary.

Section 15. Special Increases: Notwithstanding any other provisions of this Plan to the contrary, at any time that a Pension Plan is amended to provide for an ad hoc increase in the monthly pension amount then payable under that Pension Plan to a participant or beneficiary hereunder, then the same percentage increase shall apply to this Plan's benefit amount then being paid in the form of a monthly single life annuity, monthly joint and survivor annuity, or monthly survivor annuity.

PENSION BENEFIT MAKE UP PLAN #1

EXAMPLE BENEFIT CALCULATION

| | |
|---|---|
| Employee: | John Doe |
| Retirement Date: | July 1, 1999 |
| Years Service: | 30 |
| Current Base Salary: | $181,000 |
| Short Term (STIP) Award: | $ 46,000 |

$ 8,263 QUALIFIED PENSION-Maximum Potential monthly benefit determined AS IF
1) no non-qualified plan deferrals
2) all STIP awards included
3) no $150,000 (as indexed) compensation limit

less $ 4,507 QUALIFIED PENSION-Actual monthly benefit determined by
1) excluding non-qualified plan deferrals
2) excluding STIP awards
3) excluding compensation in excess of $150,000 (as indexed) compensation limit

less $ 1,698 NON-QUALIFIED DEFERRAL PLAN(S)- Actual monthly amount received as a Pension Plan make up benefit

equals $ 2,058 PENSION BENEFIT MAKE UP PLAN - Actual monthly Make Up Benefit

SBC Communications Inc.

# SUPPLEMENTAL LIFE INSURANCE PLAN

Effective: January 1, 1986

Revisions Effective: September 29, 2000

1. Purpose. The purpose of the Supplemental Life Insurance Plan ("Plan") is to allow for provision of additional survivor benefits for Eligible Employees.

2. Definitions. For purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

ANNUAL BASE SALARY OR ANNUAL SALARY OR SALARY. "Annual Base Salary" or "Annual Salary" or "Salary" shall mean an Eligible Employee's annual base salary rate determined by SBC, excluding (1) all differentials regarded as temporary or extra payments and (2) all payments and incentive awards and distributions made either as a long term award or as a short term award; and such Salary shall be as before reduction due to any contribution pursuant to any deferred compensation plan or agreement provided by SBC, including but not limited to compensation deferred in accordance with Section 401(k) of the Internal Revenue Code. Annual Salary or Salary shall mean an annualized amount determined from an Eligible Employee's Annual Base Salary rate.

BENEFICIARY. "BENEFICIARY" shall mean any beneficiary or beneficiaries designated by the Eligible Employee pursuant to the SBC Rules for Employee Beneficiary Designations as may hereafter be amended from time-to-time ("Rules").

CHAIRMAN. "Chairman" shall mean the Chairman of the Board of SBC Communications Inc.

COMMITTEE. "Committee" shall mean the Human Resources Committee of the Board of SBC Communications Inc.

ELIGIBLE EMPLOYEE. "Eligible Employee" shall mean an Officer or a non-Officer employee of any SBC company who is designated by the Chairman as eligible to participate in the Plan.

INSURANCE CONTRACT. "Insurance Contract" shall mean a contract(s) of life insurance insuring the life of the Eligible Employee entered into by SBC.

OFFICER. "Officer" shall mean an individual who is designated by the Chairman as eligible to participate in the Plan who is an elected officer of SBC or of any SBC subsidiary (direct or indirect).

RETIREMENT. "Retirement" shall mean the termination of an Eligible Employee's employment with SBC or any of its subsidiaries, for reasons other than death, on or after the earlier of the following dates: (1) the date the Eligible Employee is Retirement Eligible as term is defined in the SBC Supplemental Retirement Income Plan ("SRIP"); or (2) the date the Eligible Employee has attained one of the following combinations of age and service at termination of employment on or after April 1, 1997, except as otherwise indicated below:

| Net Credited Service | Age |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

With respect to an Eligible Employee who is granted an EMP Service Pension under and pursuant to the provisions of the SBC Pension Benefit Plan - Nonbargained Program ("SBCPBP") upon termination of Employment, the term Retirement" shall include such Eligible Employee's termination of employment.

TERMINATION UNDER EPR. In determining whether an Eligible Employee's termination of employment under the Enhanced Pension and Retirement Program ("EPR") is a Retirement for purposes of this Plan, five years shall be added to each of age and net credited service ("NCS"). If with such additional age and years of service, (1) an Eligible Employee upon such termination of employment under EPR is Retirement Eligible according to the SBC Supplemental Retirement Income Plan ("SRIP") or (2) the Eligible Employee upon such termination of employment under EPR has attained one of the following combinations of age and service,

| Actual NCS + 5 Years | Actual Age + 5 Years |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

then such termination of employment shall be a Retirement for all purposes under this Plan and the Eligible Employee shall be entitled to the treatment under this Plan afforded in the case of a termination of employment which is a Retirement.

SBC. "SBC" shall mean SBC Communications Inc.

3. Eligibility. Each Eligible Employee shall be eligible to participate in the Plan

4. Pre-Retirement Benefits and Post-Retirement Benefits.

Basic Death Benefit

While this plan is in effect, the Beneficiary who is designated by the Eligible Employee shall be entitled to receive as a Basic Death Benefit from the proceeds of the Insurance Contract an amount equal to the result of multiplying the Eligible Employee's Annual Salary rounded to the next higher $1,000 by the following amounts:

| | |
|---|---|
| Chief Executive Officer | 3 |
| Direct Reporting Officer as such term is defined in SBC's Schedule of Authorizations | 2 |
| Other Eligible Employees | 1 |

This amount shall be reduced (but not below zero) by any amount payable under any group term life insurance covering the Eligible Employee which is maintained by SBC, which amount of group term life insurance will be limited to a maximum of $50,000.

The amount of Basic Death Benefit payable hereunder will automatically increase if pay increases.

At Retirement, the pre-retirement benefit converts to a post-retirement benefit. This benefit is equal to one times Salary rounded to the next higher $1,000 (at the time of retirement) and shall be reduced (but not below zero) by any amount payable under any group term life insurance covering the Eligible Employee which is maintained by SBC, which amount of group term life insurance will be limited to a maximum of $50,000; provided, however, for an executive who first becomes a Plan participant on or after January 1, 1998, this post-retirement death benefit shall be reduced by 10% of its original post-retirement amount each year for five years beginning at the later of the date the Eligible Employee attains age 65 or Retirement.

Optional Supplementary Benefit

Subject to the limitations in the remaining paragraphs in this section describing optional supplementary benefits, each Eligible Employee may also purchase optional supplementary pre-retirement life insurance coverage from SBC in an amount equal to one times the Eligible Employee's Annual Salary rounded to the next higher $1,000, and an additional amount of such insurance in an amount equal to another one times such amount (for a total of two times the Annual Salary rounded to the next higher $1,000), which insurance shall be payable from the proceeds of the Insurance Contract. Each such amount of insurance ("one times salary") continued until such employee reaches age 65, by continuing to contribute for it, shall entitle the beneficiary under the Insurance Contract to receive an amount from the proceeds of such Insurance Contract equal to one times the Eligible Employee's final Annual Salary rounded to the next higher $1,000, when such Eligible Employee dies after Retirement.

To elect this optional supplementary coverage, the Eligible Employee must complete an enrollment form on which he or she specifies the amount of coverage he or she wishes to purchase and authorizes his or her employing company to deduct his or her contributions for coverage from his or her salary.

An Eligible Employee may not elect this coverage while receiving disability benefits under any Company disability benefit plan.

An Eligible Employee must make his or her election to purchase optional supplementary coverage within three calendar months of being declared eligible to participate in the Plan; except any Eligible Employee who was declared an Eligible Employee before October 1, 1997, shall have until December 31, 1997 to enroll for such optional supplementary coverage or to increase such coverage.

The optional supplementary life insurance is effective upon SBC's binding of life insurance coverage for the Eligible Employee pursuant to an Insurance Contract.

Effective January 1, 1998, once an Eligible Employee enrolls for optional supplementary coverage, he or she can later decrease or terminate such coverage but never increase or reinstate such coverage.

Regardless of the amount of coverage elected, the amount in force will automatically increase if Salary increases. The cost for this coverage will increase accordingly.

This optional supplementary life insurance is paid for on a contributory basis by those Eligible Employees who enroll in the coverage. The cost of coverage, and therefore, how much an Eligible Employee contributes, depends on age and the amount of coverage and shall be as determined by SBC. There will be no periodic waiver of premium payments.

In the event of death, the Eligible Employee's optional supplementary life insurance benefit will be paid to the Eligible Employee's Beneficiary or Beneficiaries in a lump sum, unless the Salary Continuation Death Benefit form of payment was elected on the Eligible Employee's enrollment form. The option to elect other than a lump sum payment is limited to an Eligible Employee who became an Eligible Employee on or before January 1, 1998. If the Eligible Employee has no surviving beneficiaries, the benefit will be paid in a lump sum in accordance with the Rules.

The optional supplementary life insurance coverage hereunder will automatically continue while an Eligible Employee is receiving disability benefits under any SBC disability benefit plan, provided the Eligible Employee continues his or her contributions. If an Eligible Employee terminates employment with SBC or any of its subsidiaries for any reason other than Retirement, this coverage will stop at the end of the month of termination; provided, however, Eligible Employees who are 65 at the time of their termination will continue to have non-contributory unreduced coverage after age 65.

Alternate Death Benefit

Alternate death benefit coverage shall only be available to an Eligible Employee who became an Eligible Employee before January 1, 1998. Such Eligible Employees shall be entitled to elect to receive alternate death benefit life insurance coverage; provided such election is made before January 1, 1998.

Under such coverage, an Eligible Employee's Beneficiary or Beneficiaries will be entitled to receive from the proceeds of the Insurance Contract a payment equal to the Eligible Employee's final Annual Salary upon his or her death. This benefit will not be rounded to the next higher $1,000. The amount of insurance in force will automatically increase if salary increases. Coverage applies to death from any cause, except with respect to an on-the-job accident for which an Eligible Employee is protected while an active employee by any Accident Death Benefit feature of the SBCPBP.

By enrolling in this coverage, an Eligible Employee automatically waives his or her eligibility for any Sickness Death Benefit and Pensioner Death Benefits otherwise payable under the SBCPBP.

The coverage provided by the alternate death benefit life insurance coverage will continue after Retirement.

To elect this coverage, an Eligible Employee must complete an irrevocable enrollment and waiver form.

SBC pays the full cost of the alternate death benefit life insurance coverage.

The insurance benefit provided under this alternate death benefit life insurance will be paid in a lump sum, unless otherwise elected on the Eligible Employee's enrollment form.

Alternate death benefit coverage ceases upon an Eligible Employee's Termination of Employment other than a Retirement. This alternate death benefit life insurance may not be converted to an individual policy.

Salary Continuation Death Benefit.

The salary continuation death benefit shall only be available under the conditions specified hereunder, to an Eligible Employee who became an Eligible Employee before January 1, 1998.

By a written election filed with SBC before January 1, 1998, an Eligible Employee may terminate his or her rights to a Basic Death Benefit and/or to Optional Supplementary Coverage (if any) and/or to an Alternate Death Benefit (if any).

If such an election is filed, and the Eligible Employee dies on or after the first day of the calendar year following the year in which such election is filed and prior to the termination of coverage pursuant to Section 7, the Eligible Employee's Beneficiary or Beneficiaries theretofore named shall be paid by SBC an amount per annum for ten (10) years which amounts, in the aggregate, have a net present value, using an eleven percent (11%) discount rate, equal to one hundred eight-five percent (185%) of the (i) Basic Death Benefit amount and/or (ii) the amount elected as Optional Supplementary coverage(if any) and/or (iii) the amount elected as an Alternate Death Benefit (if any) which would be payable to his or her Beneficiary or Beneficiaries as of the date of the Eligible Employee's death, and no other benefit shall be payable hereunder as either a Basic Death Benefit, Optional Supplementary Coverage or Alternate Death Benefit. Such payment(s) shall commence no later than sixty (60) days following the date of the Eligible Employee's death.

On or after January 1, 1998, an Eligible Employee who has elected death benefits in the form of salary continuation pursuant to this Section may cancel such election and have his or her Beneficiaries receive death benefits as insurance in a lump-sum but, an Eligible Employee who cancels his or her salary continuation election may not thereafter re-elect such option.

Survivor Annuity Equivalent

Additionally, each Eligible Employee who is not eligible for the Immediate Automatic Pre-retirement Survivor Annuity of the SBCPBP (or equivalent thereof) shall be eligible hereunder for a Survivor Annuity Equivalent benefit of one times salary payable to the surviving spouse of such Eligible Employee. Such benefit shall be paid as follows: an amount per annum for ten (10) years shall be paid to the Eligible Employee's surviving spouse which amounts, in the aggregate, shall have a net present value, using an eleven percent (11%) discount rate, equal to one hundred eighty-five percent (185%) of one times the Eligible Employee's salary at the time of his or her death; provided, however, no such Survivor Annuity Equivalent payments will be made on or after the date of death of the surviving spouse. Such payments shall commence no later than sixty (60) days following the date of the Eligible Employee's death.

For the purposes of the Survivor Annuity Equivalent, the Eligible Employee's surviving spouse means a spouse legally married to the Eligible Employee at the time of the Eligible Employee's death.

Eligibility for the Survivor Annuity Equivalent shall automatically cease on the date of termination of the Eligible Employee's employment. If the Eligible Employee becomes totally disabled prior to Retirement, the Eligible Employee shall continue to be eligible for the Survivor Annuity Equivalent until the expiration of disability benefits. If the Eligible Employee is granted a leave of absence, other than for military service of more than four weeks, the Eligible Employee shall continue to be eligible for the Survivor Annuity Equivalent during such leave of absence.

The Eligible Employee shall cease to be eligible for the Survivor Annuity Equivalent at the conclusion of the day immediately preceding the date the Eligible Employee becomes eligible for the Immediate Automatic Pre-retirement Survivor Annuity of the SBCPBP.

5. Incidents of Ownership. SBC will be the owner and hold all the incidents of ownership in the Insurance Contract, including the right to dividends, if paid. The Eligible Employee may specify in writing to SBC, the Beneficiary or Beneficiaries and the mode of payment for any death proceeds not in excess of the amounts payable under this Plan. Upon receipt of a written request from the Eligible Employee, SBC will immediately take such action as shall be necessary to implement such Beneficiary appointment. Any balance of proceeds from the Insurance Contract not paid as either a Basic Death Benefit or otherwise pursuant to the Plan shall be paid to SBC.

6. Premiums. All premiums due on the Insurance Contract shall be paid by SBC. However, the Eligible Employee agrees to reimburse SBC by January 31 following the date of each premium payment in an amount such that, for Federal Income Tax purposes the reimbursement for each year is equal to the amount which would be required to be included in the Eligible Employee's income for Federal Income Tax purposes by reasons of the "economic benefit" of the Insurance Contract provided by SBC; provided, however, that SBC, in its sole discretion, may decline to accept any such reimbursement and require the inclusion of such "economic benefit" in the Eligible Employee's income. In its discretion SBC may deduct the Eligible Employee's portion of the premiums from the Eligible Employee's pay.

7. Termination of Coverage. An Eligible Employee's coverage under this Plan shall terminate immediately when the Eligible Employee realizes an "Event of Termination" which shall mean any of the following:

(a) Termination of an Eligible Employee's employment with his or her employing company for any reason other than (i) death, (ii) Disability as such term is defined in the SRIP, or (iii) Retirement.

(b) In the case of an Eligible Employee who terminates employment by reason of a disability but who does not realize an Event of Termination because of Section 7a(ii) above, a termination of the Eligible Employee's total Disability that is not accompanied by either a return to employment with his or her employing company or the Eligible Employee's death or Retirement.

(c) Except in the case of an Eligible Employee who has theretofore terminated employment for a reason described in Section 7a(ii) or (iii) above, SBC elects to terminate the Eligible Employee's coverage under the Plan by a written notice to that effect given to the Eligible Employee. SBC shall have no right to amend the Plan or terminate the Eligible Employee's coverage under the Plan with respect to an Eligible Employee who has theretofore terminated employment for a reason described in Section 7a(ii) or (iii) above without the written consent of the Eligible Employee.

8. Non-Competition. Notwithstanding any other provision of this Plan, no coverage shall be provided under this Plan with respect to any Eligible Employee who shall, without the written consent of SBC, and while employed by SBC or any subsidiary thereof, or within three (3) years after termination of employment from SBC or any subsidiary thereof, engage in competition with SBC or any subsidiary thereof or with any business with which a subsidiary of SBC or an affiliated company has a substantial interest (collectively referred to herein as "Employer business"). For purposes of this Plan, engaging in competition with any Employer business shall mean engaging by Eligible Employee in any business or activity in the same geographical market where the same or substantially similar business or activity is being carried on as an Employer business. Such term shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer business. However, engaging in competition with an Employer business shall include representing or providing consulting services to, or being an employee of, any person or entity that is engaged in competition with any Employer business or that takes a position adverse to any Employer business. Accordingly, coverage shall not be provided under this Plan if, within the time period and without the written consent specified, Eligible Employee either engages directly in competitive activity or in any capacity in any location becomes employed by, associated with, or renders service to any company, or parent or affiliate thereof, or any subsidiary of any of them, if any of them is engaged in competition with an Employer business, regardless of the position or duties the Eligible Employee takes and regardless of whether or not the employing company, or the company that Eligible Employee becomes associated with or renders service to, is itself engaged in direct competition with an Employer business.

9. Restriction on Assignment. The Eligible Employee may assign all or any part of his or her right, title, claim, interest, benefits and all other incidents of ownership which he or she may have in the Insurance Contract to any other individual or trustee, provided that any such assignment shall be subject to the terms of this Plan; except neither the Eligible Employee nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable as a Salary Continuation Death Benefit hereunder, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable as a Salary Continuation Death Benefit hereunder shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by the Eligible Employee or any other person, nor be transferable by operation of law in the event of the Eligible Employee's or any other person's bankruptcy or insolvency. Except as provided in this Section 8, no assignment or alienation of any benefits under the Plan will be permitted or recognized.

10. Unsecured General Creditor. Except to the extent of rights with respect to the Insurance Contract in the absence of an election to receive benefits in Salary Continuation Death Benefit form, the Eligible Employee and his or her Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interest or claims in any property or assets of SBC, nor shall they be beneficiaries, or have any rights, claims or interests in, any life insurance policies, annuity contracts or the proceeds there from owned or which may be acquired by SBC ("Policies"); such Policies or other assets of SBC shall not be held under any trust for the benefit of the Eligible Employee, his or her designated beneficiaries, heirs, successors or assigns, or held in any way as collateral security for the fulfilling of the obligations of SBC under this Agreement; any and all of SBC's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of SBC; SBC shall have no obligation to acquire any Policies or any other assets; and SBC's obligations under this Agreement shall be merely that of an unfunded and unsecured promise of SBC to pay money in the future.

11. Employment Not Guaranteed. Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving the Eligible Employee any right to be retained in the employ of any SBC company.

12. Protective Provisions. The Eligible Employee will cooperate with SBC by furnishing any and all information requested by SBC, in order to facilitate the payment of benefits hereunder, taking such physical examinations as SBC may deem necessary and taking such other relevant action as may be requested by SBC, in order to facilitate the payment of benefits hereunder. If the Eligible Employee refuses so to cooperate, the Eligible Employee's participation in the Plan shall terminate and SBC shall have no further obligation to the Eligible Employee or his or her designated Beneficiary hereunder. If the Eligible Employee commits suicide during the two-year period beginning on the date of eligibility under the Plan, or if the Eligible Employee makes any material misstatement of information or nondisclosure of medical history, then no benefits will be payable by reason of this Plan to the Eligible Employee or his or her designated Beneficiary, or in SBC's sole discretion, benefits may be payable in a reduced amount.

13. Change in Status. In the event of a change in the employment status of an Eligible Employee to a status in which he or she is no longer an Eligible Employee under the Plan,

such Eligible Employee shall immediately cease to be eligible for any benefits under this Plan; provided, however, such survivor benefits as would be available to such employee by reason of his or her new status but which do not automatically become effective upon attainment of such new status shall continue to be provided under this Plan until such benefits become effective or until such employee has had reasonable opportunity to effectuate such benefits but has failed to take any requisite action necessary for such benefits to become effective.

14. Named Fiduciary. If this Plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA), SBC is the "named fiduciary" of the Plan.

15. Applicable Law. This Plan and the rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Texas to the extent such law is not preempted by ERISA.

16. Administration of the Plan. The Committee shall be the sole administrator of the Plan and will administer the Plan, interpret, construe and apply its provisions in accordance with its terms. The Committee shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Committee shall be binding.

17. Relation to Prior Plans. This Plan supersedes and replaces prior Senior Management Survivor Benefit, Senior Management Supplementary Life Insurance, and Senior Management Alternate Death Benefit Life Insurance Plans as in effect prior to January 1, 1986, except such plans shall continue to apply to Eligible Employees who retired before January 1, 1986; provided, however, that with respect to those Eligible Employees who retired during calendar year 1986 by reason of the fact of attaining age 65, the Post-Retirement Benefit provided pursuant to the Senior Management Survivor Benefit Plan as in effect prior to January 1, 1986, shall continue to apply and the post-retirement benefit provided under the Basic Death Benefit portion hereof shall not apply.

18. Amendments and Termination. This Plan may be modified or terminated at any time in accordance with the provisions of SBC's Schedule of Authorizations. A modification or Plan termination may affect present and future Eligible Employees; provided, however, that no modification shall be made to this Plan with respect to an Eligible Employee who terminates employment for reason of disability or Retirement), nor shall a termination of the Plan operate so as to be applicable to such an individual, without the written consent of the Eligible Employee.

SBC Communications Inc.

# SALARY AND INCENTIVE AWARD DEFERRAL PLAN

Effective: January 1, 1984

As amended through September 29, 2000

## ARTICLE 1 - STATEMENT OF PURPOSE

The purpose of the Salary and Incentive Award Deferral Plan ("Plan") is to provide a select group of management employees consisting of Eligible Employees of SBC Communications Inc. ("SBC" or the "Company") and its Subsidiaries with a means for deferring the receipt of income.

## ARTICLE 2 - DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context indicates otherwise:

BASE COMPENSATION. The following types of cash-based compensation, in each case as determined by SBC, paid by an Employer (but not including payments made by a non-Employer, such as state disability payments), before reduction due to any contribution pursuant to this Plan or reduction pursuant to any deferral plan of an Employer, including but not limited to a plan that includes a qualified cash or deferral arrangement under Section 401(k) of the Internal Revenue Code, as amended ("Code"):

(a) annual base salary.

Payments by an Employer under a Disability plan made in lieu of any compensation described in (a) above, shall be deemed to be a part of the compensation it replaces for purposes of this definition. Base Compensation does not include the TEAM Award (the annual award determined to be the "Team Award" by SBC together with the individual award determined by SBC to be the Individual Discretionary Award made in connection therewith) or comparable awards, if any, determined by SBC to be used in lieu of these awards, commissions or zone allowances or any other geographical differential and shall not include payments made in lieu of unused vacation or other paid days off, and such payments shall not be contributed to this Plan.

BUSINESS DAY. Any day during regular business hours that SBC is open for business.

CHAIRMAN. The Chairman of the Board of Directors of SBC Communications Inc.

COMMITTEE. The Human Resources Committee of the Board of Directors of SBC Communications Inc.

DECLARED RATE. The interest rate for each calendar year as determined by the Senior Executive Vice President-Human Resources, with the concurrence of the Senior Executive Vice President, Chief Financial Officer and Treasurer and announced on or before January 1 of the applicable calendar year. However, in no event will the Declared Rate for any calendar be less than the Moody's Corporate Bond Yield Average-Monthly Average Corporates as published by Moody's Investor's Service, Inc. (or any successor thereto) for the month of September before the calendar year in question, or, if such yield is no longer published, a substantially similar average selected by the Senior Executive Vice President-Human Resources or his or her successor.

DISABILITY. Absence of an Employee from work with an Employer under the relevant Employer's disability plan, not only while such Employee is deemed by the Employer to be an Employee of such Employer.

ELIGIBLE EMPLOYEE. An Employee who:

(a) is a full time, salaried Employee of SBC or an Employer and who is on active duty, Disability or Leave of Absence;

(b) is, as determined by SBC, a member of Employer's "select group of management or highly compensated employees" within the meaning of the Employment Retirement Income Security Act of 1974, as amended, and regulations thereunder ("ERISA"); and

(c) is (i) an Officer or (ii) a non-Officer Employee who has been approved by the chairman to be eligible to participate in this Plan.

Notwithstanding the foregoing, SBC may, from time to time, exclude any Employee or group of Employees from being deemed an "Eligible Employee" under this Plan.

In the event a court or other governmental authority determines that an individual was improperly excluded from the class of persons who would be considered Eligible Employees during a particular time for any reason, that individual shall not be an Eligible Employee for purposes of the Plan for the period of time prior to such determination.

EMPLOYEE. Any person employed by an Employer, excluding persons hired for a fixed maximum term and excluding persons who are neither citizens nor permanent residents of the United States, all as determined by SBC. For purposes of this Plan, a person on Leave of Absence who otherwise would be an Employee shall be deemed to be an Employee.

EMPLOYER. SBC Communications Inc. or any of its Subsidiaries.

EXECUTIVE OFFICER. A person identified as an "executive officer" of SBC in the then most recent SBC Form 10-K containing such information that was filed with the United States Securities and Exchange Commission or who subsequent to such filing was notified by SBC's General Counsel to be an executive officer of SBC.

INCENTIVE AWARD. A cash award paid by an Employer (and not by a non-Employer, such as state disability payments) as either a short term or long term award under the Short Term Incentive Plan or the 1996 Stock and Incentive Plan the Key Executive Officer Short Term Award paid under the 1996 Stock and Incentive Plan; or any other award that the Committee designates as a short term or long term incentive award specifically for purposes of this Plan (regardless of the purpose of the award) including an award which would otherwise be paid in stock, other than stock of SBC.

LEAVE OF ABSENCE. Where a person is absent from employment with an Employer on a formally granted leave of absence (i.e., the absence is with formal permission in order to prevent a break in the continuity of term of employment, which permission is granted (and not revoked) in conformity with the rules of the Employer which employs the individual, as adopted from time to time). For purposes of this Plan, a Leave of Absence shall be deemed to also include a transfer of a person to an entity by an Employer for a rotational work assignment. In the event a transfer to such an entity lasts more than 5 years or the entity's rotational work assignment status is canceled by SBC, it shall be deemed a Termination of Employment with the Employer at that time for purposes of this Plan. To be a rotational work assignment, the Employer must have indicated in writing to the person that the person was to be rehired by the Employer on termination of the rotational work assignment.

OFFICER. An individual who is designated as an officer level employee for salary purposes on the records of SBC.

PARTICIPANT. An Eligible Employee or former Eligible Employee who participates in this Plan.

PRE-TAX ACCOUNT. The account maintained on a pre-tax basis on the books of account of SBC for each Participant.

RETIREMENT OR RETIRE. The Termination of Employment for reasons other than death, on or after the earlier of the following dates: (1) the date the Employee is eligible to retire with an immediate pension pursuant to the SBC Supplemental Retirement Income Plan ("SRIP"); or (2) the date the Employee has attained one of the following combinations of age and service at Termination of Employment, except as otherwise indicated below:

| Net Credited Service | Age |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

With respect to an Employee who is granted an EMP Service Pension under and pursuant to the provisions of the SBC Pension Benefit Plan - Nonbargained Program upon Termination of Employment, the term "Retirement" shall include such Employee's Termination of Employment.

SUBSIDIARY. Any corporation, partnership, venture or other entity in which SBC holds, directly or indirectly, a 50% or greater ownership interest. SBC may, at its sole discretion, designate any other corporation, partnership, venture or other entity a Subsidiary for the purpose of participating in this Plan.

TERMINATION OF EMPLOYMENT. References herein to "Termination of Employment," "Terminate Employment" or a similar reference, shall mean the event where the Employee ceases to be an Employee of any Employer, including but not limited to where the employing company ceases to be an Employer.

TERMINATION UNDER EPR. In determining whether an Eligible Employee's termination of employment under the Enhanced Pension and Retirement Program ("EPR") is a Retirement for purposes of this Plan, five years shall be added to each of age and net credited service ("NCS"). If with such additional age and years of service, (1) an Eligible Employee upon such termination of employment under EPR is Retirement Eligible according to the SBC Supplemental Retirement Income Plan ("SRIP") or (2) the Eligible Employee upon such termination of employment under EPR has attained one of the following combinations of age and service,

| Actual NCS + 5 Years | Actual Age + 5 Years |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

then such termination of employment shall be a Retirement for all purposes under this Plan and the Eligible Employee shall be entitled to the treatment under this Plan afforded in the case of a termination of employment which is a Retirement.

ARTICLE 3 - ADMINISTRATION OF THE PLAN

The Committee shall be the administrator of the Plan and will administer the Plan, interpret, construe and apply its provisions in accordance with its terms. The Committee may further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. References to determinations or other actions by SBC, herein, shall mean actions authorized by the Committee, the Chairman, the Senior Executive Vice President of SBC in charge of Human Resources, or their respective successors or duly authorized delegates, in each case in the discretion of such person; except that with respect to Executive Officers, only the Committee may take such action. All decisions by SBC shall be final and binding.

ARTICLE 4 - CONTRIBUTIONS

4.1 ELECTION TO MAKE CONTRIBUTIONS.

(a) An Eligible Employee may elect to participate in the Plan through payroll deductions contributed to the Plan as follows (such contributions to the Plan are "Employee Contributions"):

(i) An Eligible Employee may elect to contribute up to 50% (in whole percentage increments) of his or her monthly Base Compensation, as the same may change from time to time; provided, however, any Base Compensation deferral hereunder is conditioned upon a 30% Base Compensation deferral election being in effect in the Stock Savings Plan.

(ii) An Eligible Employee may elect to contribute up to 100% (in whole percentage increments or a specified dollar amount) of an Incentive Award.

(b) An Eligible Employee may only make an election, change an election, or terminate an election to make Employee Contributions as follows:

(i) An Employee who is an Eligible Employee as of September 30 may make an election on or prior to the last Business Day of the immediately following November with respect to the contribution of Base Compensation and/or Incentive Awards paid on or after the immediately following January 1.

(ii) An Employee who was not an Eligible Employee as of September 30 but who is an Eligible Employee the immediately following December 31 (or such later date chosen by SBC, but not later than April 30) may make an election on or prior to the last Business Day of the immediately following May with respect to the contribution of Base Compensation and/or Incentive Awards paid on or after the immediately following July 1.

SBC may refuse or terminate any election to make Employee Contributions at any time.

4.2 CONTRIBUTIONS TO PRE-TAX ACCOUNT; INTEREST/DIVIDENDS.

(a) Employee Contributions shall be made solely pursuant to a proper election and only during the Employee's lifetime and while the Employee remains an Eligible Employee (if the Employee ceases to be an Eligible Employee, his or her election to make Employee Contributions shall be cancelled); provided, however, Termination of Employment of an Eligible Employee shall not constitute loss of eligibility solely with respect to contribution of Base Compensation earned prior to termination but paid within 60 days thereafter or with respect to an Incentive Award paid after Retirement (and such person shall be deemed an Eligible Employee for such contributions).

(b) Employee Contributions shall be credited to the Participant's Pre-Tax Account in accordance with the provisions of Section 4.2(e) shall bear interest at the applicable Declared Rate on the balance from month-to-month in such account. The interest will be credited monthly to the account at one-twelfth of the annual Declared Rate for that calendar year compounded quarterly.

(c) In addition, if the Participant's account under the Bell System Senior Management Incentive Award Deferral Plan ("Predecessor Plan") was transferred to this Plan as of January 1, 1984, the effective date of this Plan, then the Participant's Pre-Tax Account under this Plan shall be credited as of such date with the amount credited to the Participant's account under the Predecessor Plan as of December 31, 1983, and such amount shall bear interest in accordance with the terms of this Plan.

(d) Deferred amounts related to Incentive Awards which would otherwise have been distributed in shares of stock other than shares of common stock of SBC shall be credited to the Participant's Pre-Tax Account as deferred shares. The Participant's Pre-Tax Account shall also be credited on each dividend payment date with an amount equivalent to the dividend payable on the number of such shares equal to the number of deferred shares in the Participant's Pre-Tax Account on the record date for such dividend. Such amount shall then be

converted to a number of additional deferred shares determined by dividing such amount by the closing price of such shares on the New York Stock Exchange on such date, or if not listed on such exchange, then on the principal market for such shares. If not traded on such exchange on such date, then the closing price on the next preceding day the stock was so traded shall be utilized.

In the event of a merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, stock split, share combination, or stock dividend, stock split or other change in the corporate structure of the issuer of stock described in the preceding paragraph, affecting such stock, the Committee shall make an adjustment to the number and class of shares of deferred stock, in its discretion, to avoid any dilution or enlargement of rights.

(e) Contributions to the Plan shall be deemed contributed when the compensation would have otherwise actually been paid (using the "check date" of the payment or contribution) were it not for an election under this Plan. For example, a contribution from a payment of Base Compensation, delayed for any reason, shall be deemed contributed when the delayed payment is made.

ARTICLE 5 - DISTRIBUTIONS

5.1 DISTRIBUTIONS FROM PRE-TAX ACCOUNT.

(a) Retirement. Beginning March 10 (or such other date as determined by SBC) of the first (1st) calendar year following the calendar year of the Retirement of a Participant and on March 10 (or such other date as determined by SBC) of each of the successive 14 calendar years, SBC shall distribute to the Participant that portion of the Participant's Pre-Tax Account that is equal to the total dollar amount of the Participant's Pre-Tax Account (and/or number of deferred shares then held in the Participant's Pre-Tax Account) divided by the number of remaining installments. Notwithstanding the foregoing, if the Participant Retires prior to 2001, then any undistributed portion of the Participant's Pre-Tax Account will be distributed in a lump sum on March 10 of the fifteenth (15th) calendar year following the calendar year of the Retirement of the Participant.

(b) Non-Retirement Termination of Employment. Beginning March 10 (or such other date as determined by SBC) of the calendar year following the calendar year of Termination of Employment which is not a Retirement and on March 10 (or such other date as determined by SBC) of each of the successive 2 calendar years, SBC shall distribute that portion of the Participant's Pre-Tax Account that is equal to the total dollar amount of the Participant's Pre-Tax Account (and/or number of deferred shares held in the Participant's Pre-Tax Account) divided by the number of remaining installments.

(c) Death. Notwithstanding (a) or (b) above to the contrary, in the event of the death of a Participant, any amounts remaining in the Participant's Pre-Tax Account (and/or number of deferred shares then held in the Participant's Pre-Tax Account) shall be promptly distributed to the Participant's beneficiary designated in accordance with the SBC Rules for Employee Beneficiary Designations, as the same may be amended from time to time ("Rules"). If no designation has been made or if all designated beneficiaries predecease the Participant, the Participant's Pre-Tax Account shall be distributed according to the Rules.

Notwithstanding any other provision of this Plan, if a surviving beneficiary of a Plan participant disclaims in whole or in part, that beneficiary's interest or share in the distribution of the Plan participant's Plan proceeds, and such disclaimer satisfies the requirements of Section 2518(b) of the Internal Revenue Code (or any successor provision) and any applicable state law, such disclaimer shall not constitute an assignment, transfer or alienation by any method of such interest or share or proceeds and the portion of such proceeds subject to such disclaimer shall be distributed as if that beneficiary had predeceased the Plan participant.

(d) Discharge for Cause/Non Competition. Notwithstanding any other provision of this Plan to the contrary, all amounts (including deferred shares) then credited to the Participant's Pre-Tax Account shall be paid immediately in a single payment if a Participant is discharged for cause by his or her Employer, or if a Participant otherwise ceases to be employed by his or her Employer and engages in competition with SBC or any direct or indirect Subsidiary thereof or with any business with which a Subsidiary of SBC or an affiliated company has a substantial interest (collectively referred to herein as an "Employer Business"), or becomes employed by a governmental agency having jurisdiction over the activities of SBC or any of its Subsidiaries. For purposes hereof, engaging in competition with any Employer business shall mean engaging by the Participant in any business or activity in the same geographical market where the same or substantially similar business or activity is being carried on as an Employer business. Such term shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer business. However, engaging in competition with an Employer business shall include representing or providing consulting services to, or being an employee of, any person or entity that is engaged in competition with any Employer business or that takes a position adverse to any Employer business in a judicial, regulatory, legislative or administrative proceeding. Further, engaging in competition with an Employer business would result if the Participant either engages directly in competitive activity or in any capacity in any location becomes employed by, associated with, or renders service to any company, or parent or affiliate thereof, or any subsidiary of any of them, if any of them is engaged in competition with an Employer business, regardless of the position or duties the Participant takes and regardless of whether or not the employing company, or the company that the Participant becomes associated with or renders service to, is itself engaged in direct competition with an Employer business.

(e) Deferred amounts held pending distribution shall continue to be credited with interest or additional deferred shares, as applicable, determined in accordance with Section 4.2(b) or 4.2 (d), as applicable.

(f) The obligation to make distribution of deferred amounts credited to a Participant's Pre-Tax Account during any calendar year, plus the additional amounts credited on such deferred amounts pursuant to Section 4.2(b) or 4.2(d), as applicable, shall be borne by SBC or the applicable Employer which otherwise would have paid the related award currently. However, the obligation to make distributions with respect to deferred amounts which are related to amounts credited to a Participant's Pre-Tax Account as of the effective date of the Plan pursuant to Section 4.2(c), and with respect to which no SBC company would otherwise have paid the related award currently, shall be borne by the Employer which employed the Participant on the effective date of the Plan.

(g) For the purpose of this Plan, a beneficiary designation like that described in Section 5.1(c) that was made under the comparable provisions of the Predecessor Plan shall be considered as a beneficiary designation made under Section 5.1(c).

(h) Notwithstanding the other provisions of this Section 5.1 to the contrary, but subject to the provisions of Section 5.2(b), a Participant who was a Participant on, and made contributions to the Plan prior to, September 1, 2000, may request that receipt of the cash portion of Participant's Pre-Tax Account be deferred to Participant's death, or to be received earlier if accelerated in accordance with the provisions of 5.2(a). Approval of such request shall be in SBC's sole discretion.

5.2 ACCELERATED DISTRIBUTION.

(a) On or before the last Business Day of a calendar year, a Participant may elect to receive a distribution of all or a portion of the Participant's Pre-Tax Account. Such distribution shall be made March 10 (or such other date as determined by SBC) of the immediately following calendar year. This distribution shall be in addition to the portion of the Pre-Tax Account to be distributed at the same time under Section 5.1, which distribution shall be calculated without regard to an election under this section.

(b) In the event the Participant Terminates Employment for reasons other than Retirement, SBC may, at its sole discretion, accelerate the distribution of all or a portion of a Participant's Pre-Tax Account to the date of SBC's choosing, without notice to, or the consent of, the Participant.

5.3 SMALL DISTRIBUTION.

Notwithstanding any election made by the Participant, after the Termination of Employment of the Participant for any reason, if at the time the total value of the Participant's Pre-Tax Account is less than $10,000, SBC may, in its discretion, distribute all of such account in the form of a lump sum distribution.

5.4 DETERMINATION BY INTERNAL REVENUE SERVICE.

In the event that a final determination shall be made by the Internal Revenue Service or any court of competent jurisdiction that a Participant has recognized gross income for Federal income tax purposes in excess of the portion of Participant's Pre-Tax Account actually distributed by SBC, SBC shall promptly distribute to the Participant that portion of Participant's Pre-Tax Account to which such additional gross income is attributable.

5.5 EMERGENCY DISTRIBUTION.

In the event that SBC, upon written petition of the Participant, determines in its sole discretion that the Participant has suffered an unforeseeable financial emergency, SBC shall distribute to the Participant, as soon as practicable following such determination, that portion of Participant's Pre-Tax Account determined by SBC to meet the emergency (the "Emergency Distribution). For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. Upon such distribution, any election to make Employee Contributions by such Participant shall be immediately cancelled, and the Participant shall not be permitted to make a new election with respect to Employee Contributions that would be contributed during the then current and immediately following calendar year.

5.6 INELIGIBLE PARTICIPANT.
Notwithstanding any other provisions of this Plan to the contrary, if SBC receives an opinion from counsel selected by SBC, or a final determination is made by a Federal, state or local government or agency, acting within its scope of authority, to the effect that an individual is not, or was not at the time of his or her making Employee Contributions to this Plan, to be a member of Employer's "select group of management or highly compensated employees" within the meaning of ERISA, then such person will not be eligible to participate in this Plan and shall receive an immediate lump sum distribution of the Participant's Pre-Tax Account. Upon such payment no other distribution shall thereafter be payable under this Plan either to the individual or any beneficiary of the individual, except as provided under Section 8.1 Additional Benefit.

ARTICLE 6 - TRANSITION PROVISIONS

The transition rules of this Article 6 shall supercede all other terms of this Plan.

6.1 EFFECTIVE DATES.
Except as otherwise provided herein, the amendments to this Plan made September 1, 2000 (the "2000 Amendments") shall be effective September 1, 2000, and no election regarding the further deferral of a distribution of contributions to this Plan may be made on or after September 1, 2000.

6.2 COMBINATION OF EXISTING CONTRIBUTIONS.

(a) Effective January 1, 2001, all prior contributions made to the Plan by a Participant shall be combined into Participant's single Pre-Tax Account.

(b) To the extent any Participant who retires before 2001 would, were it not for the 2000 Amendments, under valid elections made prior to September 1, 2000, receive a distribution that would extend the Participant's distributions beyond 2015, then the contributions so affected shall not be combined with other contributions and shall be distributed in accordance with such elections. Notwithstanding the foregoing, the Participant may, with the consent of SBC, elect to have all of Participant's contributions to the Plan governed by this Plan as in effect after September 1, 2000.

(c) In the event a Participant dies prior to 2001, the Participant's accounts shall not be combined with and shall be distributed in accordance with the Plan as it existed immediately prior to September 1, 2000.

6.3 TERMINATION OF ELECTIONS.

(a) Distributions from the Plan that would be made in the year 2000 under the Plan as it existed immediately prior to September 1, 2000, based on elections made before September 1, 2000, shall continue to be made in the year 2000 as provided in the Plan immediately prior to September 1, 2000. All other distribution elections are cancelled, including but not limited to distributions which have already commenced, but only to the extent such elections call for distributions after the year 2000. All amounts (or shares) remaining undistributed after such distributions shall be held and distributed in accordance with the terms of the Plan as in effect after September 1, 2000.

(b) Contributions to the Plan that would be made in the year 2000 under the Plan as it existed immediately prior to September 1, 2000, based on elections made before September 1, 2000, shall continue to be made in the year 2000 as provided in the Plan immediately prior to September 1, 2000. Elections to participate in the Plan shall not automatically be renewed for the year 2001. Each Eligible Employee must make a new election after September 1, 2000, in order to make Employee Contributions after 2000. Provided, however, valid elections made prior to September 1, 2000, to contribute Incentive Awards in 2001 shall be valid elections under this Plan.

6.4 ANNUAL BASE SALARY CONTRIBUTION TRANSITION.
Annual base salary earned prior to January 1, 2001, shall be contributed when earned, while annual base salary earned on or after such date shall be contributed when paid. In order to avoid any double contribution of annual base salary, that part of annual base salary earned in the year 2000 shall not be included in any determination of contributions to the Plan in a later calendar year, even though paid in such calendar year.

ARTICLE 7 - DISCONTINUATION, TERMINATION, AMENDMENT.

7.1 SBC'S RIGHT TO TERMINATE PLAN.
The Committee may terminate the Plan at any time. Upon termination of the Plan, contributions shall no longer be made under the Plan.

After termination of the Plan, Participants shall continue to earn interest/dividend equivalents and shall continue to receive all distributions under this Plan at such time as provided in and pursuant to the terms and conditions of this Plan at the time of the Plan's termination.

7.2 AMENDMENT.

This Plan may be modified or terminated at any time in accordance with the provisions of SBC's Schedule of Authorizations; provided, however, that no amendment, including but not limited to an amendment to this section, shall be effective, without the consent of a Participant, to alter, to the material detriment of such Participant, the distributions described in this Plan as applicable to the Participant or to decrease such Participant's Pre-Tax Account. For purposes of this section, an alteration to the material detriment of a Participant shall mean a material reduction in the period of time over which Participant's Pre-Tax Account may be distributed to a Participant or a reduction in the amounts then credited to a Participant's Pre-Tax Account. Any such consent may be in a writing, telecopy, or e-mail or in another electronic format. An election to make Employee Contributions and the failure to terminate an election to make Employee Contributions when able to do so shall each be conclusively deemed to be the consent of the Participant to any and all amendments to the Plan prior to such election or failure to terminate an election, and such consent shall be a condition to making any election with respect to Employee Contributions.

ARTICLE 8 - MISCELLANEOUS

8.1 ADDITIONAL BENEFIT.

The reduction of any benefit payable under the SBC Pension Benefit Plan (or comparable plan identified by SBC as a replacement therefore), which results from participation in this Plan, will be restored as an additional benefit ("make-up piece") under this Plan. The Participant shall elect prior to commencement of payment of the make-up piece whether to receive such benefit in cash in a lump sum (consisting of the present value equivalent of the pension retirement benefit (life annuity) make-up piece) or such benefit in an annuity form of payment. Notwithstanding the proceeding provisions of this section, if all or a portion of the make-up piece is paid pursuant to SRIP or another non-qualified plan, then such amount shall not be payable pursuant to this Plan.

8.2 TAX WITHHOLDING.

Upon a distribution from Participant's Pre-Tax Account, SBC shall withhold such amount (or shares) as determined by SBC to satisfy the minimum amount of Federal, state, and local taxes required by law to be withheld as a result of such distribution, or such greater amount as specified by the Participant.

8.3 ELECTIONS AND NOTICES.

Notwithstanding anything to the contrary contained in this Plan, all elections and notices of every kind shall be made on forms prepared by SBC or made in such other manner as permitted or required by SBC, including through electronic means, over the Internet or otherwise. An election shall be deemed made when received by SBC, which may waive any defects in form. Unless made irrevocable by the electing person, each election with regard to making Employee Contributions or distributions under the Plan shall become irrevocable at the close of business on the last day to make such election. SBC may limit the time an election may be made in advance of any deadline.

Any notice or filing required or permitted to be given to SBC under the Plan shall be delivered to the principal office of SBC, directed to the attention of the Senior Executive Vice President-Human Resources of SBC or his or her successor. Such notice shall be deemed given on the date of delivery.

Notice to the Participant shall be deemed given when mailed (or sent by telecopy) to the Participant's work or home address as shown on the records of SBC or, at the option of SBC, to the Participant's e-mail address as shown on the records of SBC. It is the Participant's responsibility to ensure that the Participant's addresses are kept up to date on the records of SBC. In the case of notices affecting multiple Participants, the notices may be given by general distribution at the Participants' work locations.

By participating in the Plan, each Participant agrees that SBC may provide any documents required or permitted under the Federal or state securities laws, including but not limited to the Securities Act of 1933 and the Securities Exchange Act of 1934 by e-mail, by e-mail attachment, or by notice by e-mail of electronic delivery through SBC's Internet Web site or by other electronic means.

8.4 UNSECURED GENERAL CREDITOR.

Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any property or assets of any Employer. No assets of any Employer shall be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of any Employer under this Plan. Any and all of each Employer's assets shall be, and remain, the general, unpledged, unrestricted assets of such Employer. The only obligation of an Employer under the Plan shall be merely that of an unfunded and unsecured promise of SBC to make distributions under, and in accordance with the terms of, the Plan.

8.5 OFFSET.

SBC may offset against the amount (or shares) otherwise distributable to a Participant, any amounts due an Employer by a Participant, including but not limited to overpayments under any compensation or benefit plans.

8.6 NON-ASSIGNABILITY.

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt, any amounts (or shares) distributable under the Plan, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amount (or shares) distributable shall, prior to actual distribution, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

8.7 EMPLOYMENT NOT GUARANTEED.

Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any employee any right to be retained in the employ of an Employer or to serve as a director.

8.8 ERRORS.

At any time SBC may correct any error made under the Plan without prejudice to SBC. Such corrections may include, among other things, refunding contributions to a Participant with respect to any period he or she made Employee Contributions while not an Eligible Employee, or canceling the enrollment of a non-Eligible Employee.

8.9 CAPTIONS.

The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control nor affect the meaning or construction of any of its provisions.

8.10 GOVERNING LAW.

To the extent not preempted by ERISA, this Plan shall be governed by and construed in accordance with the substantive laws of the State of Texas, excluding any conflicts or choice of law, rule or principle that might otherwise refer construction or interpretation of this Plan to provisions of the substantive law of any jurisdiction other than the State of Texas. Any actions seeking to enforce the rights of an employee, former employee or person who holds such rights through, from or on behalf of such employee or former employee under this plan may be brought only in a federal or state court located in Bexar County, Texas.

8.11 VALIDITY.

In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

8.12 SUCCESSORS AND ASSIGNS.

This Plan shall be binding upon SBC and its successors and assigns.

SBC Communications Inc.

# SENIOR MANAGEMENT LONG TERM DISABILITY PLAN

Plan Effective: January 1, 1984

Section 1. Definitions

1. Plan shall mean the SBC Communications Inc. Senior Management Long Term Disability Plan.

2. Employer shall mean SBC Communications Inc. or any of its subsidiaries that participate in the Plan.

3. Pension Plan shall mean the SBC Communications Inc. Management Pension Plan.

4. Disability Benefit Plan shall mean the SBC Communications Inc. Sickness and Accident Disability Benefit Plan.

5. Mid-Career Pension Plan shall mean the SBC Communications Inc. Mid-Career Pension Plan.

6. Short Term Plan shall mean the SBC Communications Inc. Short Term Incentive Plan.

7. Committee shall mean the Administrative Committee appointed by the Vice President-Human Resources. It shall consist of three managers, one of whom will be a Senior Manager.

8(a) Participant, for purpose of the Disability Allowance under Section 2, shall mean a Senior Manager on the active rolls of an Employer on or after the effective date of the Plan.

8(b) Participant, for purposes of the Senior Management survivor Benefit under Section 3, shall mean a former employee of an Employer who was a Participant under paragraph 8 (a) above on the last day of employment, if such former employee is eligible to receive a Disability Allowance under Section 2.

8(c) Participant, for purposes of the Medical Expense Benefit under Section 6, shall mean a former employee of an Employer who was a Participant under paragraph 8(a) above the last day of Employment, if such former employee is eligible to receive a Disability Allowance under Section 2.

8(d) For purposes of paragraph 8(b) and 8(c) above, a former employee shall be considered to be eligible to receive a Disability Allowance under Section 2 if he has met the conditions specified in Section 2, even though the receipt of other benefits by such former employee precludes his receipt of any benefits under Section 2.

9. Term of Employment. shall have the same meaning as the meaning assigned to such expression in the Pension Plan.

10. Annual Basic Pay shall mean the Participant's annual base salary rate (as determined by the Employer) on the last day the Participant was on the active payroll, but excluding all differentials regarded as temporary or extra payments and all cash payments and distributions made under the Short Term Plan and the SBC Communications Inc. Long Term Incentive Plan. The base salary rate in Section 2, paragraph 3, shall be the base salary amount prior to any reduction as a result of the Senior Management Deferred Compensation Plan.

11. The use of personal pronouns of the masculine gender in the Plan is intended to include both masculine and feminine genders.

Section 2. Disability Allowance.

1(a) A participant shall be considered to be "disabled" at any time during the first fifty-two week period following the onset of a physical or mental impairment if such impairment prevents the Participant from meeting the performance requirements of the position held immediately preceding the onset of the physical or mental impairment.

1(b) A Participant shall be considered to be "disabled" after the first fifty-two week period following the onset of a physical or mental impairment if such impairment prevents the Participant from meeting the performance requirements of (1) the position held immediately preceding the onset of the physical or mental impairment, (2) a similar position, or (3) any appropriate position which the Participant would otherwise be capable of performing by reason of the Participant's background and experience.

1(c) The Committee shall make the determination of whether a Participant is disabled within the meaning of paragraphs 1(a) and 1(b) above.

2. A Participant who is disabled during a period described in paragraph 1(a) of this Section 2 shall be eligible to receive a monthly disability allowance equal to 100 percent of the Participant's monthly base salary rate on the last day the Participant was on the active payroll, reduced by any amounts described in paragraph 5(a) of this Section 2 which are attributable to the period for which benefits are provided under this paragraph.

3. A Participant who is disabled during a period described in paragraph 1(b) shall, prior to his sixty-fifth birthday, be eligible to receive a monthly disability allowance equal to eighty percent of the Participant's monthly base salary rate, prior to any deferral amount under the Senior Management Deferred Compensation Plan, on the last day the Participant was on the active payroll, reduced by any amounts described in paragraph 4(b) of this Section 2 which was attributable to the period for which benefits are provided under this paragraph.

4(a) The disability allowance determined for any period under paragraph 2 of this Section 2 shall be reduced by the sum of the following benefits received by the Participant which are attributable to the period for which such disability allowance is provided: a service pension, deferred vested pension, or disability pension under the Pension plan, a pension under the Mid-Career Pension Plan, an accident disability benefit or sickness disability benefit under the Disability Benefit Plan, any Workers' Compensation Benefit, plus any other benefit payments required by law on account of the Participant's disability. However, no reduction shall be made on account of any pension under the Pension Plan, or the Mid-Career Pension Plan at a rate greater than the rate of such pension on the date the Participant first received such pension after his disability.

4(b) The disability allowance determined for any period under paragraph 3 of this Section 2 shall be reduced by the sum of the following benefits received by the Participant which are attributable to the period for which such disability allowance is provided: a service pension, deferred vested pension or disability pension under the Pension Plan, a pension under the Mid-Career Pension Plan, an accident disability benefit under the Disability Benefit Plan, any other retirement income payments from the employee's Employer, plus any Worker's Compensation Benefit. However, no reduction shall be made on account of any pension under the Pension Plan, or the Mid-Career Pension Plan at a rate greater than the rate of such pension on the date the Participant first received such pension after his disability.

Furthermore, the Board of Directors of the employee's Employer in its discretion may reduce the disability allowance by the amount of outside compensation or earnings of the Participant for work performed by the Participant during the period for which such disability allowance is provided.

5. For purposes of paragraphs 1(a) and 1(b) of this Section 2, the measurement of time following the onset of a physical or mental impairment shall coincide with the measurement of time used to calculate the period of Sickness and Disability Benefit Plan. Successive periods of physical or mental impairment shall be counted together in computing the periods during which the Participant shall be entitled to the benefits provided under paragraph 2 or paragraph 3 of this Section 2, except that any disability absence after the Participant has been continuously engaged in the performance of duty for thirteen weeks shall be considered to commence a new period of physical or mental impairment under

paragraph 1(a), so that such Participant shall be entitled during such new period to the benefits provided under paragraph 2 of this Section 2.

Section 3 Life Insurance Benefits. A Participant described in paragraph 8(b) of Section 1, who has not retired on a service pension or a disability pension under the Pension Plan, shall be entitled to the same rights and benefits under the SBC Communications Inc. Senior Management Survivor Benefit Plan, and under the Supplementary Life Insurance Plan, as if the employee had retired on a service pension or a disability pension under the Pension Plan and had elected the Alternate Death Benefit under the Senior Management Survivor Benefit Plan.

Section 4 Medical Expense Benefits. A Participant described in paragraph 8(c) of Section 1, who has not retired on a service pension or a disability pension under the Pension Plan, shall be entitled to the same rights and benefits under the SBC Communications Inc. Medical Expense Plan, and Dental Expense Plan as an employee who retired on a service or a disability pension under the Pension Plan.

Section 5 Claims and Appeals. Any claim under the Plan by a Participant, or by anyone claiming through a Participant, shall be presented to the Committee. Any person whose claim under the Plan has been denied may (and must for the purpose of seeking any further review of a decision or determining any entitlement to a benefit under the Plan), within 60 days after receipt of notice of denial, submit to the Human Resources Committee of the SBC Communications Inc. Board of Directors a written request for review of the decision denying the claim. The Human Resources Committee shall determine conclusively for all parties all questions arising in the administration of the Plan.

Section 6 General Provisions.

1. The Plan shall be effective on January 1, 1984.

2. The rights of a Participant or his spouse to benefits under the Plan shall not be subject to assignment or alienation.

3. SBC Communications Inc. may from time to time make changes in the Plan and may terminate the Plan. In addition, the Vice President-Human Resources of the SBC Communications Inc. (or any successor to the officer's responsibilities), shall be authorized to make minor or administrative changes to the Plan, as well as changes dictated by the requirement of Federal or state statutes or authorized or made desirable by such statutes. Such changes or termination shall not affect the rights of any Participant, without his consent, to any benefit under the Plan to which such Participant may have previously become entitled as a result of a disability, death or termination of Employment which occurred prior to the effective date of such change or termination.

4. In case of accident resulting in injury to or death of a Participant which entitles the Participant to benefits under the Plan, the Participant may elect to accept such benefits or to prosecute such claims at law as the Participant may have against the Employer. If election is made to accept the benefits under the Plan, such election shall be in writing and shall release the Employer from all claims and demands which the Participant may have against it, otherwise than under this Plan or under any other plan maintained by the Employer, on account of such accident. The Committee, in its discretion, may require that the election described above shall release any other company connected with the accident, including any company participating in the Pension Plan. The right of the Participant to a disability allowance under Section 2 of the Plan shall lapse if election to accept such benefits, as above provided, is not made within sixty days after injury, or within such greater time as the Committee shall, by resolution duly entered on its records, fix for the making of such election.

5. Should claim, other than under this Plan or under any other plan maintained by the Employer, by presented or suit brought against the Employer, or against any other company participating in the Pension Plan, for damages on account of injury or death of a Participant, nothing shall by payable under this Plan on account of such injury or death except as provided in paragraph 6 of this Section 6; provided however, that the Committee may, in its discretion and upon such terms as it may prescribe waive this provision if such claims be withdrawn or if such suit be discontinued.

6. In case any judgment is recovered against the Employer or any settlement is made of any claim or suit on account of the injury or death of a Participant, and the total amount which would otherwise have been payable under the Plan and under any other plan maintained by the Employer is greater than the amount paid on account of such judgment or settlement, the lesser of (1) the difference between such two amounts, or (2) the amount which would otherwise have been payable under this Plan, may in the discretion of the Committee be distributed to the beneficiaries who would have received benefits under this Plan.

7. All benefits provided under the Plan with respect to a Participant shall be forfeited and cancelled in their entirety if the Participant, without the consent of the Employer and while employed by the Employer or after termination of such Employment, becomes associated with, becomes employed by or renders service to, or owns an interest in any business (other than as a shareholder with a nonsubstantial interest in such business) that is competitive with the Employer or with any business with which a subsidiary or affiliated Company has a substantial interest, as determined by the Employer's Board of Directors. All benefits provided under the Plan with respect to a Participant shall be forfeited and cancelled in their entirety if the Participant is discharged by the Employer for cause or the Participant engages in misconduct in connection with the Participant's Employment.

8. Each Employer, the Committee, and the Human Resources Committee of the SBC Communications Inc.'s Board of Directors is each a named fiduciary as that term is used in ERISA with respect to the particular duties and responsibilities herein provided to be allocated to each of them, respectively.

9. All benefits authorized under the Plan shall be a charge to the operating expense accounts of the Participant's Employer when and as paid.

10. The expenses of administering the Plan shall be borne by the Employers in such proportions as shall be mutually agreed upon by such Employers.

SBC Communications Inc.

# SUPPLEMENTAL HEALTH PLAN

Effective: January 1, 1987
Revisions Effective: March 19, 2001

## EXECUTIVE HEALTH PLAN

1. Purpose. The Supplemental Health Plan ("Plan") provides Eligible Employees and their eligible dependents with supplemental medical, dental and vision benefits.

2. Definitions. For purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

CHAIRMAN. "Chairman" shall mean the Chairman of the Board of SBC Communications Inc.

COMMITTEE. "Committee" shall mean the Human Resources Committee of the Board of SBC Communications Inc.

ELIGIBLE EMPLOYEE. "Eligible Employee" shall mean an Officer.

OFFICER. "Officer" shall mean an individual who is designated by the Chairman as eligible to participate in the Plan who is an elected officer of SBC or of any SBC subsidiary (direct or indirect).

RETIREMENT. "Retirement" shall mean the termination of an Eligible Employee's employment with SBC or any of its subsidiaries, for reasons other than death, on or after the earlier of the following dates: (1) the date the Eligible Employee is Retirement Eligible as such term is defined in the SBC Supplemental Retirement Income Plan ("SRIP"); or (2) the date the Eligible Employee has attained one of the following combinations of age and service at termination of employment on or after April 1, 1997, except as otherwise indicated below:

| Net Credited Service | Age |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

With respect to an Eligible Employee who is granted an EMP Service Pension under and pursuant to the provisions of the SBC Pension Benefit Plan - Nonbargained Program ("SBCPBP") upon termination of Employment, the term "Retirement" shall include such Eligible Employee's termination of employment.

TERMINATION UNDER EPR. In determining whether an Eligible Employee's termination of employment under the Enhanced Pension and Retirement Program ("EPR") is a Retirement for purposes of this Plan, five years shall be added to each of age and net credited service ("NCS"). If with such additional age and years of service, (1) an Eligible Employee upon such termination of employment under EPR is Retirement Eligible according to the SBC Supplemental Retirement Income Plan ("SRIP") or (2) the Eligible Employee upon such termination of employment under EPR has attained one of the following combinations of age and service,

| Actual NCS + 5 Years | Actual Age + 5 Years |
|---|---|
| 10 years or more | 65 or older |
| 20 years or more | 55 or older |
| 25 years or more | 50 or older |
| 30 years or more | Any age |

then such termination of employment shall be a Retirement for all purposes under this Plan and the Eligible Employee shall be entitled to the treatment under this Plan afforded in the case of a termination of employment which is a Retirement.

SBC. "SBC" shall mean SBC Communications Inc.

3 Eligibility. Each Eligible Employee shall be eligible to participate in this Plan along with his or her eligible dependents. Eligible dependents are those covered under the Eligible Employee's SBC company's basic managed care medical, dental, and vision care plans ("Basic Plans").

Provisions of this Plan will continue in effect during Retirement for each Eligible Employee who became an Eligible Employee on or after January 1, 1987 but before January 1, 1999. Dependent coverage will also continue during the Retirement period for an Eligible Employee who became an Eligible Employee on or after January 1, 1987 but before January 1, 1999. An Eligible Employee who becomes an Eligible Employee after December 31, 1998 shall not be eligible hereunder for coverage during Retirement.

Eligible Employees as of October 1, 1998 must elect to continue coverage effective January 1, 1999 by December 31, 1998. An Eligible Employee who becomes an Eligible Employee after October 1, 1998 shall have 90 days after becoming an Eligible Employee to elect coverage under this Plan. Coverage will remain in effect as long as the applicable contribution is paid by the Eligible Employee. However, once an Eligible Employee terminates coverage he or she may not reinstate such coverage.

4. (a) Coverage. Subject to the limitations in this Section, this Plan provides 100% coverage of all medical, dental and vision expenses not covered by the Eligible Employee's Basic Plans provided such expenses for such services would qualify as deductible medical expenses for federal income tax purposes, whether deducted or not. Notwithstanding any other provision of the Plan to the contrary, an employee who first becomes an Eligible Employee mid-year and who is enrolled in SBC sponsored medical plans other than his or her company's Basic Plans (e.g., HMO) will be allowed to participate in the Plan for the remainder of the calendar year along with his or her dependents who are enrolled in such other SBC sponsored Plans, as if he or she was participating in his or her company's Basic Plans. Thereafter, to participate in the Plan, the Eligible Employee, as well as his or her dependents for whom coverage is desired under this Plan, must be enrolled in the Basic Plans to have coverage hereunder. Expenses incurred by any Eligible Employee or any of his or her eligible dependents under this Plan shall not exceed $50,000 per year per individual. Effective January 1, 1998, expenses incurred by any Eligible Employee and his or her eligible dependents under this Plan shall not exceed $100,000 total per Plan year (i.e., January 1 through December 31). Expenses covered by the Basic Plans will not be included in these limits.

Claims will be applied against the various health plans in the following order:

(1) Medicare if participant is eligible for same,
(2) Group Health Plans,
(3) CarePlus if elected and applicable,

(4) Long Term Care Plan if elected and applicable,
(5) this Plan.

(b) Substitute Basic Coverage. Notwithstanding any other provision of this Plan to the contrary, if upon Retirement, an Eligible Employee is eligible for coverage under this Plan during Retirement, but not eligible for coverage under the Basic Plans, this Plan shall provide all medical, dental and vision expenses as if such Eligible Employee had been eligible for Non-Network coverage under the Basic Plans (hereinafter, "Substitute Basic Coverage"). Such Substitute Basic Coverage shall be subject to the same terms and conditions, including monthly retiree contributions, copays, etc. (if any), as would be applicable to the Eligible Employees and dependents if provided under the Basic Plans and shall constitute such Eligible Employee's Basic Plans for all purposes under this Plan. The costs of Substitute Basic Coverage (except for any monthly contributions, copays, etc.) shall be borne by SBC and shall not be included in the determination of any Eligible Employee's annual Plan contribution amount as provided in Section 5.

5. Costs. Except as provided below in this Section, costs and expenses incurred in the operation and administration of this Plan will be borne by SBC; and each subsidiary will be required to reimburse SBC for applicable costs and expenses attributable to Eligible Employees employed by it:

Effective January 1, 1999, an Eligible Employee electing coverage under the Plan will pay for coverage under the Plan while in active service. Such Eligible Employee's annual contribution amount will be equal to 10% of SBC's actual costs per Eligible Employee for the prior Plan year.

Effective with respect to a retirement occurring on or after January 1, 1999, an Eligible Employee who became an Eligible Employee before January 1, 1999 and who elects retirement coverage under the Plan will pay for coverage under the Plan during retirement. Such Eligible Employee's annual contribution amount during retirement will be equal to a percentage of SBC's actual costs per Eligible Employee for the prior Plan year according to the following:

The contribution percentage to be used shall be the lower of the Annual Contribution Percentage determined using each Eligible Employee's Age or Years Until Retirement as of December 31, 1997:

| Age | Annual Contribution Percentage | OR | Years Until Retirement | Annual Contribution Percentage |
|---|---|---|---|---|
| if age 55 or older | 10% | | if retirement eligible | 10% |
| if age 50 or older but less than 55 | 25% | | if not retirement eligible | 10% plus 5% for each whole year* until retirement eligibility(not to exceed 50%) |
| if less than age 50 | 50% | | | |

*in the event an Eligible Employee is less than one whole year from retirement eligibility, the Annual Contribution Percentage shall be determined as if one whole year from retirement eligibility

Coverage will remain in effect as long as the applicable contribution is paid by the Retiree. However, once a Retiree terminates coverage he or she may not reinstate such coverage.

6. Non-Competition. Notwithstanding any other provision of this Plan, no coverage shall be provided under this Plan with respect to any Eligible Employee who shall, without the written consent of SBC, and while employed by SBC or any subsidiary thereof, or within three (3) years after termination of employment from SBC or any subsidiary thereof, engage in competition with SBC or any subsidiary thereof or with any business with which a subsidiary of SBC or an affiliated company has a substantial interest (collectively referred to herein as "Employer business"). For purposes of this Plan, engaging in competition with any Employer business shall mean engaging by Eligible Employee in any business or activity in the same geographical market where the same or substantially similar business or activity is being carried on as an Employer business. Such term shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer business. However, engaging in competition with an Employer business shall include representing or providing consulting services to, or being an employee of, any person or entity that is engaged in competition with any Employer business or that takes a position adverse to any Employer business. Accordingly, coverage shall not be provided under this Plan if, within the time period and without the written consent specified, Eligible Employee either engages directly in competitive activity or in any capacity in any location becomes employed by, associated with, or renders service to any company, or parent or affiliate thereof, or any subsidiary of any of them, if any of them is engaged in competition with an Employer business, regardless of the position or duties the Eligible Employee takes and regardless of whether or not the employing company, or the company that Eligible Employee becomes associated with or renders service to, is itself engaged in direct competition with an Employer business.

7. Administration. Subject to the terms of the Plan, the Chairman shall establish such rules as are deemed necessary for the proper administration of the Plan. SBC will compute a "gross-up" allowance which will be paid to an Eligible Employee to offset income tax liabilities incurred as a result of receiving benefits under this Plan.

8. Amendments and Termination. This Plan may be modified or terminated at any time in accordance with the provisions of SBC's Schedule of Authorizations.

SUPPLEMENTAL HEALTH PLAN ADMINISTRATIVE GUIDELINES

1. General. The purpose of these guidelines is to list the procedures to be followed in administering the Supplemental Health Plan ("SHP").

The Senior Vice President - Human Resources will establish internal procedures and group insurance policies with health carrier(s) as appropriate to carry out the provisions of the Plan.

2. Coverage Considerations.

Eligible Employees:

Coverage is provided only for an Eligible Employee covered by a subsidiary's basic medical plan ("basic plan"), except as otherwise provided for in Section 4 of the Plan.

Coverage continues during periods of disability and during retirement in certain circumstances as described in the Plan. Coverage during such periods shall be the same as provided to active Eligible Employees.

Coverage for a new Eligible Employee is effective the first day of the month in which the employee is declared to be eligible to participate in the Plan by the Chairman.

Coverage will cease on the last day of the month in which one of the following conditions exist:

(a) Eligible Employee is no longer a participant in the Basic Plan

(b) termination of Eligible Employee from active service for reasons other than disability or the retirement of an Eligible Employee who became an Eligible Employee before January 1, 1999

(c) death of Eligible Employee (unless surviving dependents continue coverage under basic plan)

(d) demotion of Eligible Employee so as to no longer be eligible to participate in the Plan

(e) transfer to a subsidiary that will not bear expenses for the Eligible Employee to participate in the Plan

(f) Eligible Employee engages in competitive activity

(g) discontinuance of the Plan by SBC or a subsidiary

Dependents:

Coverage is provided for dependents of a covered Eligible Employee if the dependents are covered by the basic plan.

If coverage for a dependent ceases under the basic plan, coverage under this Plan will cease with the same effective date.

If coverage for the Eligible Employee under this Plan ceases for any reason, dependent coverage will cease with the same effective date except where employee coverage ceases due to death of the Eligible Employee, the Plan will continue in effect for surviving dependents as long as the dependents are covered under the basic plan (through automatic coverage or through payment of basic premiums) and are paying any applicable premiums under this Plan.

3. Enrollment. Upon approval as an Eligible Employee, enrollment in the basic plan and payment of any applicable premium under this Plan, the Eligible Employee and current dependents (provided they are also enrolled in the basic plan) shall be covered under the Plan. The Executive Compensation Administration (ECA) contact will forward a portfolio to the Eligible Employee including the following:

(a) Blank claim forms (5 to 10 copies)

(b) Blue return envelopes (5 to 10)

(c) Filing instructions

(d) Cards with Eligible Employee's name imprinted (for use for Eligible Employee, spouse, and eligible dependents)

As a matter of convenience for the Eligible Employee, the ECA contact will advise the appropriate payroll office regarding the enrollment and withholding of basic coverage premiums for class II or sponsored dependents not already enrolled in the basic plan. The premium paid for dependents is at the rate specified for basic coverage only. There is no additional premium to be paid for SHP coverage for the dependent. Withholding of dependent basic premiums for retired Eligible Employees, where applicable, shall be handled in the same manner as other withholding arrangements for retired executives.

Each month, the ECA contact will provide the SHP carrier and subsidiary benefit administration groups with a list of Eligible Employees currently enrolled in the Plan. The ECA contact will provide updated dependent information to the carrier whenever new or revised Dependent Enrollment Forms are received from Eligible Employees.

4. Eligible Charges. Charges for medical care will be eligible under this Plan if they are also eligible medical expenses as defined in the Internal Revenue Code. In general, medical expenses are defined to include any amounts paid for the diagnosis, cure, mitigation, treatment or prevention of disease or for the purpose of affecting any structure or function of the body, and transportation for and essential to medical care. Amounts paid for illegal operations or treatments are not eligible medical expenses. In addition, expenses incurred which are merely beneficial to the general health of an individual are also not considered eligible medical expenses unless they are for the primary purpose of curing a particular disease or ailment and prescribed by a doctor.

Eligible Employees are encouraged to use basic plan cost management features, including pre-certification, continued stay, second surgical opinion and designation of Primary Care Physician. Use of these features is optional for Eligible Employees.

5. Annual Limits. The annual limits for charges which will be paid under the Plan are specified in the Plan. Expenses incurred under provisions of basic medical, dental and vision plans are not counted against the Plan's limits. The Plan's limits apply to the following eligible charges:

(a) Medical expenses not paid under a basic medical expense plan (deductibles, co-pay amounts, excluded charges, etc., but not premiums to enroll dependents in the basic plan); plus

(b) Dental expenses not paid under basic dental plan (deductibles, co-pay amounts, excluded charges etc., but not premiums to enroll dependents in the basic plan); plus

(c) All vision expenses not covered by basic vision plan, but not premiums to enroll dependents in the basic plan.

When an Eligible Employee or dependent or the Eligible Employee's family exhausts annual coverage, the Eligible Employee will be notified by the carrier.

6. Claims Processing. Eligible Employees or their Providers (Doctors, Hospitals, etc.) should submit all basic medical, dental and vision plan and SHP claims to the SHP carrier (UnitedHealthcare). In no case should claims be submitted for processing under the procedures of the basic medical, dental and vision plans. UnitedHealthcare will coordinate processing for both basic and SHP claims to reduce administrative efforts for Eligible Employees. Retired Eligible Employees who are eligible for coverage under the Plan and who are eligible for Medicare should file with Medicare first. See Medicare Section below.

To submit a claim, Eligible Employees or their Providers should use a claim form (see Attachment 1) and one of the blue envelopes provided in the enrollment portfolio. Documentation of service provided should be attached to the claim form. Additional forms and envelopes are available from the carrier.

The carrier will receive completed forms, verify participation and make payment to the Eligible Employee or to the Provider as appropriate. The Explanation of Benefits statement will be forwarded to the Eligible Employee when payments are made.

Medical and Dental Claims. The carrier will allocate claim charges to either basic medical or dental plan coverage, SHP coverage or non-covered charges. The Eligible Employee or the Eligible Employee's Provider will be reimbursed for all charges except those not eligible under either a basic medical or dental plan or SHP. The carrier will use the separation of charges between plans to produce reports and to track against annual limits.

Vision Claims. The carrier will allocate claim charges to either basic vision plan coverage, SHP coverage or non-covered charges. The Eligible Employee or the Eligible Employee's Provider will be reimbursed for all charges except those not eligible under either a basic vision plan or SHP. The carrier will use the separation of charges between plans to produce reports and to track against annual limits. Eligible Employees should not submit vision claims to carriers other than the SHP carrier.

Medicare. Any retired Eligible Employee eligible for coverage under the Plan or his or her dependents any of whom are eligible for Medicare shall file claims with Medicare first. Expenses not reimbursed by Medicare should then be filed with UnitedHealthcare using the Supplemental Health Plan Claim Form.

Coordination by Administrators. The ECA contact will instruct claims administrators for basic plans (vision, dental, medical) to forward all Eligible Employee claims to the SHP carrier for processing.

Release of Information. If requested by a Provider, it will be necessary for the Eligible Employee to sign a form to authorize the carrier to obtain additional information from a Provider. In those cases, the carrier will forward an information release form directly to the Eligible Employee.

7. I. D. Cards. Each enrollment portfolio includes I.D. cards which should be signed on the back by the Eligible Employee except for the Eligible Employee's spouses card which should be signed by the spouse. The dependent's name will be shown on the dependent's card.

Blank cards can be obtained from the carrier and imprinted locally by the ECA Group.

Each card will contain a carrier telephone number dedicated to the SHP. This number is also on the claim forms.

8. Prescriptions. Participants in the SHP should use the Mail Service Prescription Drug Program or purchase prescriptions from a pharmacy, as appropriate. The Eligible Employee should attach his/her receipt for any amount not covered by the basic Plan to a claim form, and forward to the carrier for full reimbursement. Only prescription medicines are eligible for reimbursement. Over-the-counter medicines (cold tablets, aspirin, etc.) and hygienic supplies (contact lens solution, eye drops, etc.) are not covered under the plan.

9. Billing. The carrier will issue insurance premium bills at the beginning of each quarter to the following SBC entities:

(a) SBC ECA Group (for corporate staff Eligible Employees)

(b) Each subsidiary's Human Resources/Personal Administration Group (for subsidiary Eligible Employees).

Quarterly payments are due to the carrier by the end of the first month in the quarter.

Bills will provide sufficient detail to show the following:

(a) Amounts above that allocated to basic medical, dental and vision plans
(b) SHP premiums
(c) Other SHP charges/credits
(d) SBC code
(e) State code
(f) Individual bills for each Eligible Employee as requested by the employing subsidiary.

10. Reports. The carrier will issue quarterly reports to the SBC ECA contact. These will include claim-to-premium reconciliation data for use in forecasting end-of-year true-ups and determining whether or not accruals will be required.

11. Accruals. If claim-to premium reconciliation data indicates claims are significantly exceeding premiums during a quarter, accruals should be considered during the year. At the end of the year, an accrual is generally required unless a year-end true-up bill is not expected.

12. Taxes. If receipt of coverage/benefits under this Plan results in taxable income, an Eligible Employee's income will be grossed-up.

EXHIBIT C

Cingular Wireless SBC Executive Transition Plan

CINGULAR WIRELESS SBC EXECUTIVE
TRANSITION SUPPLEMENTAL RETIREMENT INCOME PLAN (SRIP)

1. Section 1. "Purpose" shall be restated as follows: "The purpose of the Cingular Wireless SBC Executive Transition Supplemental Retirement Income Plan is provide eligible employees with retirement benefits to supplement benefits payable pursuant to Cingular's qualified pension plan. The Cingular Wireless SBC Executive Transition Supplemental Retirement Income Plan is intended as a follow on and continuation of the SBC Supplemental Retirement Income Plan, as such Plan was in effect as of October 28, 2001. The terms of the SBC Supplemental Retirement Income Plan in effect on October 28, 2001, except as herein amended, are incorporated by reference and made a part of the Plan."

2. Any reference to SBC shall be deemed to reference Cingular Wireless LLC. Any reference to the SBC Pension Benefit Plan - Nonbargained Program ("SBCPBP") shall be deemed to reference to the Cingular Wireless Pension Plan.

3. The Plan shall be administered by the Senior Vice President - Human Resources of the Employer and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder. Pursuant to Section 6.5, the Senior Vice President - Human Resources shall be authorized to modify or terminate the plan at any time.

4. Eligibility and Participation. Participation in the plan shall be limited to those former SBC executives who (a) previously participated in the SBC SRIP, (b) were contributed to Cingular Wireless as part of the formation of Cingular Wireless on or before December 31, 2001, and (c) are specifically identified on Appendix B, hereto. No other Cingular Wireless employees are eligible to participate in or receive benefits from the Cingular Wireless SRIP.

5. Freeze of Benefit Accruals. Participants will continue to accrue benefits under the Cingular Wireless SRIP until the earlier of (i) December 31, 2006, (ii) the termination of their employment; and (iii) the termination of Cingular Wireless SRIP or other cessation of benefit accruals under Cingular Wireless SRIP.

6. The term "Retirement Eligible" shall be restated as follows: "Retirement Eligible or Retirement Eligibility means that a Participant has attained age 55; provided, however, if the Participant is, or has been within the one year period immediately preceding the relevant date, an Officer with 30 or more Years of Service and has not attained age 55, he shall be deemed to be Retirement Eligible. Note: Any reference in any other Cingular Wireless plan to a person being eligible to retire with an immediate pension pursuant to the Cingular SRIP shall be interpreted as having the same meaning as the term Retirement Eligible."

7. Section 7.5 is amended to insert Georgia in the place of Texas.

CINGULAR WIRELESS SBC EXECUTIVE
TRANSITION PENSION MAKE UP PLAN

1. Section 1 shall be amended as follows: "The purpose of the Cingular Wireless SBC Executive Transition Pension Make Up Plan is to recognize, for pension computation purposes, certain compensation being excluded in the determination of retirement benefits under Cingular's qualified Cingular Wireless Pension Plan or other qualified pension plan(s) of any subsidiary of Cingular Wireless LLC. The Cingular Wireless SBC Executive Transition Pension Make Up Plan is intended as a follow on and continuation of the SBC Pension Make Up #1 Plan, as such Plan was in effect as of October 28, 2001. The terms of SBC Pension Make Up #1 Plan in effect on October 28, 2001, except as herein amended, are incorporated by reference and made a part of the Plan."

2. Any reference to SBC shall be deemed to reference Cingular Wireless LLC. Any reference to the SBC Pension Benefit Plan - Nonbargained Program ("SBCPBP") shall be deemed a reference to the Cingular Wireless Pension Plan. Any reference to the SBC Communications Inc. Supplemental Retirement Income Plan ("SRIP") shall be deemed to reference to the Cingular Wireless SBC Executive Transition Supplemental Retirement Income Plan. Any reference to the SBC STIP shall be a reference to the comparable Cingular Wireless plan. Any reference to the SBC TEAM award shall be a reference to the comparable Cingular Wireless plan.

3. Eligibility and Participation. Participation in the plan shall be limited to those former SBC employees who (a) were contributed to Cingular Wireless as part of the formation of Cingular Wireless on or before December 31, 2001, (b) had an accrued benefit under the SBC Pension Make Up #1 Plan as of December 31, 2002, and (c) otherwise meet the eligibility requirements of Section 3 of the Plan. No other Cingular Wireless employees are eligible to participate in or receive benefits from the Cingular Wireless SBC Executive Transition Pension Make Up.

4. Section 4 is amended to delete any reference to the SBC Mid Career Hire Plan. In addition, Section 4, Paragraph 8 is deleted in its entirety to eliminate installment payments when the lump sum payment option is elected in the Cingular Wireless Pension Plan.

5. The Plan shall be administered by the Senior Vice President - Human Resources of the Employer and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder. Pursuant to Section 13, the Senior Vice President - Human Resources shall be authorized to modify or terminate the plan at any time.

6. Freeze of Benefit Accruals. Participants will continue to accrue benefits under the Plan until the earlier of (i) December 31, 2006, (ii) the termination of their employment; and (iii) the termination of the Plan or other cessation of benefit accruals under the Plan.

7. Section 12 is amended to insert Georgia in the place of Texas.

CINGULAR WIRELESS SBC EXECUTIVE
TRANSITION LIFE INSURANCE PLAN

1. Section 1. "Purpose" shall be restated as follows: "The purpose of the Cingular Wireless SBC Executive Transition Life Insurance Plan is to allow for provision of additional survivor benefits for Eligible Employees. The Cingular Wireless SBC Executive Transition Life Insurance Plan is intended as a follow on and continuation of the SBC Supplemental Life Insurance Plan, as such Plan was in effect as of October 28, 2001. The terms of the SBC Life Insurance Plan in effect on October 28, 2001, except as herein amended, are incorporated by reference and made a part of the Plan."

2. All references in the Plan to SBC or SBC Communications, Inc. shall be deemed to be a reference to Cingular Wireless LLC.

3. Eligibility and Participation. Participation in the plan shall be limited to those former SBC executives who (a) were eligible to participate in the SBC Supplemental Life Insurance Plan, (b) were contributed to Cingular Wireless as part of the formation of Cingular Wireless on or before December 31, 2001, and (c) are specifically identified on Appendix B, hereto. No other Cingular Wireless employees are eligible to participate in or receive benefits from the Cingular Wireless SLIP.

4. The Plan shall be administered by the Senior Vice President - Human Resources of the Employer and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder. Pursuant to Section 18, the Senior Vice President - Human Resources shall be authorized to modify or terminate the plan at any time.

5. Coverage levels will be based on existing coverage levels and employee titles in effect at the employee's contribution to Cingular Wireless. Where coverages are based on a multiplier of eligible salary, coverages will automatically continue to increase.

6. Section 4 - Alternate Death Benefit is amended as follows: delete last sentence of paragraph two and delete paragraph 3 in its entirety, to eliminate reference to benefits payable under the SBC Pension Benefit Plan - Nonbargained Program.

7. Section 15 is amended to insert Georgia in the place of Texas.

8. Any references to the Board of Directors of SBC Communications, Inc. shall be deemed to be a reference to the Board of Directors/Strategic Review Committee of Cingular Wireless Corporation.

CINGULAR WIRELESS SBC EXECUTIVE TRANSITION SALARY
AND INCENTIVE AWARD DEFERRAL PLAN (SIAD)

1. Article 1 -- "Statement of Purpose" shall be restated as follows: "The purpose of the Cingular Wireless SBC Executive Transition Salary and Incentive Award Deferral Plan is provide a select group of management employees consisting of eligible employees with a means of deferring the receipt of income. The Cingular Wireless SBC Executive Transition Salary and Incentive Award Deferral Plan is intended as a follow on and continuation of the SBC Salary and Incentive Award Deferral Plan, as such Plan was in effect as of October 28, 2001. The terms of the Salary and Incentive Award Deferral Plan in effect on October 28, 2001, except as herein amended, are incorporated by reference and made a part of the Plan."

2. Any reference to SBC Communications Inc. shall be deemed to reference Cingular Wireless LLC. Any reference to SBC shall be deemed to reference Cingular Wireless. Any reference to the SBC Pension Benefit Plan - Nonbargained Program ("SBCPBP") shall be deemed to reference to the Cingular Wireless Pension Plan.

3. Eligibility and Participation. Participation in the plan shall be limited to those former SBC executives who (a) previously participated in the SBC SIAD, (b) were contributed to Cingular Wireless as part of the formation of Cingular Wireless on or before December 31, 2001, and (c) are specifically identified on Appendix B, hereto. No other Cingular Wireless employees are eligible to participate in or receive benefits from the Cingular Wireless SIAD. With respect to Article 4 -- Contributions, no additional contributions will be allowed under the Cingular Wireless SBC Executive Transition Salary and Incentive Award Deferral Plan. Distributions pursuant to Article 5 will be based on contributions made prior to October 28, 2001 plus accrued interest determined in accordance with Section 4.2(b).

4. The reference to "Chairman" under Article 2 -- Definitions is deleted, as is any reference to Chairman throughout the plan.

5. "Employer" means Cingular Wireless LLC and any subsidiary or affiliate of Cingular Wireless LLC that is authorized by Cingular Wireless to participate in the Plan.

6. "Incentive Award" is amended to insert "the short term or long term award payable by Cingular" in place of the awards payable under specified SBC plans.

7. The definition of "Termination Under EPR" within Article 2 -- Definitions is deleted in its entirety.

8. The Plan shall be administered by the Senior Vice President -- Human Resources of the Employer and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder. Pursuant to Section 7.2, the Senior Vice President -- Human Resources shall be authorized to modify or terminate the plan at any time.

9. Section 8.10 is amended to insert Georgia in the place of Texas.

CINGULAR WIRELESS SBC EXECUTIVE
TRANSITION LONG TERM DISABILITY PLAN

1. Section 1.1 "Plan" shall be mean: The Cingular Wireless SBC Executive Transition Long Term Disability Plan. The purpose of this plan is to provide supplemental disability coverage to the group disability plan. The Cingular Wireless SBC Executive Transition Long Term Disability Plan is intended as a follow on and continuation of the SBC Senior Management Long Term Disability Plan, as such Plan was in effect as of October 28, 2001. The terms of the SBC Senior Management Long Term Disability Plan in effect on October 28, 2001, except as herein amended, are incorporated by reference and made a part of the Plan.

2. Any reference to SBC Communications Inc. shall be deemed to reference Cingular Wireless LLC. Any reference to SBC shall be deemed to reference Cingular Wireless. Any reference to the SBC Pension Benefit Plan -- Nonbargained Program ("SBCPBP") shall be deemed to reference to the Cingular Wireless Pension Plan.

3. Section 1.2 Employer shall mean Cingular Wireless or any of its subsidiaries or affiliates, which participate in the Plan.

4. Section 1.4 Disability Benefit Plan shall mean the Disability Program of the Cingular Wireless Health and Welfare Benefits Plan for Nonbargained Employees.

CINGULAR WIRELESS SBC EXECUTIVE
TRANSITION LONG TERM DISABILITY PLAN

1. Section 1.1 "Plan" shall be mean: The Cingular Wireless SBC Executive Transition Long Term Disability Plan. The purpose of this plan is to provide supplemental disability coverage to the group disability plan. The Cingular Wireless SBC Executive Transition Long Term Disability Plan is intended as a follow on and continuation of the SBC Senior Management Long Term Disability Plan, as such Plan was in effect as of October 28, 2001. The terms of the SBC Senior Management Long Term Disability Plan in effect on October 28, 2001, except as herein amended, are incorporated by reference and made a part of the Plan.

2. Any reference to SBC Communications Inc. shall be deemed to reference Cingular Wireless LLC. Any reference to SBC shall be deemed to reference Cingular Wireless. Any reference to the SBC Pension Benefit Plan - Nonbargained Program ("SBCPBP") shall be deemed to reference to the Cingular Wireless Pension Plan.

3. Section 1.2 Employer shall mean Cingular Wireless or any of its subsidiaries or affiliates, which participate in the Plan.

4. Section 1.4 Disability Benefit Plan shall mean the Disability Program of the Cingular Wireless Health and Welfare Benefits Plan for Nonbargained Employees.

5. Section 1.5 Mid-Career Pension Plan shall be deleted in its entirety. Any reference to this plan shall be deleted.

6. Section 1.6 Short Term Plan shall mean short term incentive awards granted under the comparable Cingular Wireless plan, if any.

7. Section 1.7 Committee shall be amended to delete the last sentence in its entirety.

8. Eligibility and Participation. Participation in the plan shall be limited to those former SBC executives who (a) previously participated in the SBC Senior Management Long Term Disability Plan, (b) were contributed to Cingular Wireless as part of the formation of Cingular Wireless on or before December 31, 2001, and (c) are specifically identified on Appendix B, hereto. No other Cingular Wireless employees are eligible to participate in or receive benefits from the Cingular Wireless SBC Executive Transition Long Term Disability Plan.

9. Section 1.8(b) shall be deleted in its entirety. Any reference to this plan shall be deleted.

10. Section 1.10 Annual Basic Pay shall be amended insert the Cingular Wireless Cash Deferral Plan in the place of the Senior Management Deferred compensation Plan and to replace the SBC Communications Inc. Long Term Incentive Plan with the comparable Cingular Wireless plan, if any.

11. Section 2.1(a) shall be amended to insert "first twenty-six week period" in the place of "first fifty-two week period."

12. Section 2.1(b) shall be amended to insert "first twenty-six week period" in the place of "first fifty-two week period."

13. Section 2.4(b) The Board of Directors shall mean the Cingular Wireless Board of Directors.

14. Section 4 Medical Expense Benefits shall be amended to insert the Medical Program of the Cingular Wireless Health and Welfare Benefits Plan for Nonbargained Employees and the Dental Program of the Cingular Wireless Health and Welfare Benefits Plan for Nonbargained Employees in place of the SBC Communications Inc. Medical Expense Plan and Dental Expense Plan, respectively.

15. The Plan shall be administered by the Senior Vice President - Human Resources of the Employer and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder. Pursuant to Section 6.3, the Senior Vice President - Human Resources shall be authorized to modify or terminate the plan at any time.

CINGULAR WIRELESS SBC EXECUTIVE
TRANSITION EXECUTIVE HEALTH PLAN

1. Section 1 Purpose shall be amended as follows: "The purpose of the Cingular Wireless SBC Executive Transition Executive Health Plan is to provide eligible employees and their eligible dependents with supplemental medical, dental and vision benefits. The Cingular Wireless SBC Executive Transition Executive Health Plan is intended as a follow on and continuation of the SBC Executive Health Plan, as such Plan was in effect as of October 28, 2001. The terms of the SBC Executive Health Plan in effect on October 28, 2001, except as herein amended, are incorporated by reference and made a part of the Plan."

2. Any reference to SBC shall be deemed to reference Cingular Wireless LLC. Any reference to the SBC Pension Benefit Plan - Nonbargained Program ("SBCPBP") shall be deemed a reference to the Cingular Wireless Pension Plan. Any reference to the SBC Communications Inc. Supplemental Retirement Income Plan ("SRIP") shall be deemed to reference to the Cingular Wireless SBC Executive Transition Supplemental Retirement Income Plan.

3. Eligibility and Participation. Participation in the plan shall be limited to those former SBC executives who (a) previously participated in the SBC Executive Health Plan, (b) were contributed to Cingular Wireless as part of the formation of Cingular Wireless on or before December 31, 2001, and (c) are specifically identified on Appendix B, hereto. No other Cingular Wireless employees are eligible to participate in or receive benefits from the Cingular Wireless SBC Executive Transition Executive Health Plan.

4. Chairman shall mean the Senior Vice President - Human Resources.

5. Committee shall mean the Cingular Wireless Benefits Committee as designated by the Senior Vice President - Human Resources.

6. Section 2 Termination Under EPR is deleted in its entirety.

7. The Plan shall be administered by the Senior Vice President - Human Resources of the Employer and any individual or committee he designates to act on his behalf with respect to any or all of his responsibilities hereunder. Pursuant to Section 8, the Senior Vice President - Human Resources shall be authorized to modify or terminate the plan at any time.

**AT&T Mobility 2005 Cash Deferral Plan**

Effective: January 1, 2005

**Article 1 – History; Statement of Purpose**

In 2001, Cingular Wireless adopted the Cingular Wireless Cash Deferral Plan (the "Prior Plan"). Following the enactment of the American Jobs Creation Act of 2004, Cingular Wireless froze the Prior Plan, effective December 31, 2004. Following that date, no additional deferrals were permitted under the Prior Plan. Participant accounts in the Prior Plan as of December 31, 2004 continue to be credited with interest pursuant to Section 4.3 of the Prior Plan and remain subject to all provisions of the Prior Plan and elections made by Participants under such Prior Plan.

Cingular Wireless (now AT&T Mobility) created a new plan to govern and hold cash deferrals, company match contributions, company contributions (and associated earnings) made by or for Eligible Employees on or after January 1, 2005. The new plan, entitled the AT&T Mobility 2005 Cash Deferral Plan (the "Plan"), is effective January 1, 2005 and its terms are set forth herein in this document. The Plan is intended to comply with the provisions of 409A of the Code and the applicable guidance thereunder.

No Participant Contributions or Matching Contributions with respect to Base Salary, Bonus Awards or Long-Term Incentive Awards shall be made to or permitted under the Plan after 2008. Participant Contribution Accounts as of December 31, 2008 shall continue to be credited with interest pursuant to Section 4.3 and shall remain subject to the provisions of the Plan, as it may be amended from time to time.

The purpose of the Plan is to provide a select group of management employees of AT&T Mobility LLC ("AMLLC") and affiliate companies that participate in the Plan with an opportunity (i) to defer the receipt and income taxation of a portion of such individual's compensation; and (ii) to receive an investment return on those deferred amounts.

**Article 2 - Definitions**

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context indicates otherwise:

**Administrator.** The Board or Committee, if such Committee is appointed, as determined by the Board. The Board/Committee may delegate administrative authority to the Chief Executive Officer, the senior Human Resources division officer or another individual. Provided, however, effective on and after January 18, 2007, the Administrator shall be the Senior Executive Vice President – Human Resources of AT&T Inc. or his delegate(s). The Administrator may select an outside third party as the recordkeeper of the Plan.

**Affiliate.** Any corporation, partnership, venture or other entity in which AT&T Mobility or AMLLC holds, directly or indirectly, a 10% or greater ownership interest. The Administrator may, in its sole discretion, designate any other corporation, partnership, venture or other entity an Affiliate for the purpose of allowing it to participate in the Plan.

**AMLLC.** AT&T Mobility LLC, a Delaware limited liability company, of which AT&T Mobility is the manager.

**AT&T Mobility.** AT&T Mobility Corporation.

**Base Salary.** The annual base salary, as determined by the Administrator, paid by an Employer, before reduction due to any contribution pursuant to this Plan or reduction pursuant to any deferral plan of an Employer, including but not limited to a plan that includes a qualified cash or deferred arrangement under Section 401(k) of the Code.

Base Salary does not include zone allowances or any other geographical differential and shall not include payments made in lieu of unused vacation or other paid days off, and such payments shall not be deemed to be contributed to this Plan.

**Board.** The Board of Directors of AT&T Mobility.

**Bonus Award.** An incentive award based on an assessment of performance, payable by the Employer to a Participant with respect to the Participant's services during a given fiscal year of the Employer. For purposes of the Plan, "Bonus Award" shall not include incentive awards which relate to a period exceeding one (1) fiscal year.

**Code.** The Internal Revenue Code of 1986, as amended.

**Committee.** The Compensation Committee of the Board of Directors of AT&T Mobility, if such committee is appointed, or other committee with responsibility for oversight of the compensation and benefit programs.

**Contribution Account.** The accounting entry as to each Participant showing the amount of such Participant's Contributions, interest credits and Matching Contributions credited to such account.

**Eligible Employee.** An Employee who:

(a) is a full time, salaried Employee who is on active duty or Leave of Absence,

(b) is, as determined by the Administrator, a member of the Employer's "select group of management or highly compensated employees" such that the Plan will qualify for treatment as a "Top Hat" plan within the meaning of ERISA,

(c) has an employment status which has been approved by the Administrator to be eligible to participate in this Plan and

(d) has been notified in writing by the Administrator that he is eligible to participate in the Plan.

Notwithstanding the foregoing, the Administrator may, from time to time, exclude any Employee or group of Employees from being deemed an "Eligible Employee" under this Plan.

In the event a court or other governmental authority determines that an individual was improperly excluded from the class of persons who would be considered Eligible Employees during a particular time for any reason, that individual shall not be an Eligible Employee for purposes of the Plan for the period of time prior to such determination.

**Employee.** Any person classified as an "employee" according to the payroll and personnel records of an Employer, excluding persons hired for a fixed maximum term and excluding persons who are neither citizens nor permanent residents of the United States, all as determined by the Administrator. Individuals classified as leased employees or independent contractors according to an Employer's payroll and personnel records shall not be eligible to participate. For purposes of this Plan, a person on Leave of Absence who otherwise would be an Employee shall be deemed to be an Employee.

**Employer.** AMLLC or any Affiliates that adopt the Plan with the consent of the Chief Executive Officer.

**ERISA.** The Employee Retirement Income Security Act of 1974, as amended.

**Executive.** An Employee who is in a position that is eligible to participate in the Employer's Executive Compensation Programs as determined by the Administrator.

**Leave of Absence.** Where a person is absent from employment with an Employer on a formally granted leave of absence (i.e., the absence is with formal permission in order to prevent a break in the continuity of term of employment, which permission is granted (and not revoked) in conformity with the rules of the Employer which employs the individual, as adopted from time to time). For purposes of this Plan, a Leave of Absence shall be deemed to also include a transfer of an individual to an entity that is not an Affiliate by an Employer for a rotational work assignment.

**Long-Term Incentive Award.** An incentive award, based on an assessment of performance over a period greater than one (1) year, payable by the Employer to a Participant.

**Matching Contributions** . The contributions credited to a Participant's Contribution Account pursuant to Section 4.4.

**Participant.** An Eligible Employee or former Eligible Employee who participates in the Plan.

**Participant Contributions.** The amounts Eligible Employees are deemed to contribute, by deferring amounts otherwise payable to them, pursuant to Sections 4 of the Plan.

**Plan.** AT&T Mobility 2005 Cash Deferral Plan.

**Retirement or Retire.** The Termination of Employment for reasons other than death, on or after the date on which the Employee is first eligible, upon terminating employment, for retiree health coverage in accordance with the terms of the Employer's health plan.

**Specified Employee** . A Participant who is a "specified employee," within the meaning of Section 409A(2)(B)(i) of the Code, as determined under the AT&T Inc. compensation guidelines and provisions.

**Termination of Employment.** References herein to "Termination of Employment," "Terminate Employment" or a similar reference, shall mean the event where the Employee ceases to be an Employee of any Employer.

**Article 3 - Administration of the Plan**

**3.1 The Administrator** .

The Administrator will administer the Plan, interpret, construe and apply its provisions in accordance with its terms. The Administrator may further establish, adopt or revise such rules and regulations as such person may deem necessary or advisable for the administration of the Plan. References to determinations or other actions by the Administrator, herein, shall mean actions authorized by such person or his respective successors or duly authorized delegates, in each case in the discretion of such person. All decisions by the Administrator shall be final and binding.

**3.2 Claims Procedure.**

If a request for benefits by a Participant or beneficiary is wholly or partially denied, the Administrator will provide such claimant written notice setting forth the denial. A review procedure is available upon written request by the claimant to the Administrator within 90 days after the date of the Administrator's written notice of the denial of the claim, and includes the right to examine pertinent documents and submit issues and comments in writing to the Administrator. The decision on review will be made within 90 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 90 days, and shall be in writing. If a decision on review is not made within such period, the Participant's claims shall be deemed denied.

**3.3 Decisions Binding.**

The Administrator shall have the sole and exclusive discretion to administer, construe and interpret the Plan and make all determinations hereunder, including any determinations on review of a denied claim. All determinations and decisions of the Administrator, including but not limited to factual determinations and questions of construction and interpretation, shall be final, conclusive and binding on all parties and shall be subject to the fullest discretion afforded by law.

**Article 4 - Contributions**

**4.1 Employee Election to Make Contributions.**

(a) Each year, an Eligible Employee may make an election to make Participant Contributions with respect to Base Salary paid during the immediately following calendar year. No elections with respect to Base Salary shall be permitted after 2007. As permitted by the Administrator, an Eligible Employee may also make an election to make Participant Contributions with respect to Bonus Awards; provided, however, the election with respect to such awards must be made by the Participant prior to the year preceding the year in which such awards are regularly scheduled to be paid. No elections with respect to Bonus Awards shall be permitted after 2006. The enrollment period for making such elections shall be established by the Administrator. Any such election is irrevocable.

(b) An Eligible Employee may elect to contribute from 6% to 30% (in whole percentage increments) of Base Salary and Bonus Awards (in either one or separate elections as determined by the Administrator), as the same may change from time to time, and such Participant Contributions shall be credited to his/her Contribution Account.

(c) An Eligible Employee who is an Executive may elect to contribute up to an additional 20% (in whole percentage increments) of Base Salary and/or up to an additional 45% of Bonus Awards, as the same may change from time to time, and such Participant Contributions shall be credited to his/her Contribution Account.

(d) An Eligible Employee who is an Executive may elect to contribute up to 75% (in whole percentage increments) of any Long-Term Incentive Award paid by AT&T Mobility, as the same may change from time to time, and such Participant Contributions shall be credited to his/her Contribution Account. Elections with respect to Long-Term Incentive Awards must be made by the Participant prior to the year preceding the year in which such Award is regularly scheduled to be paid. No elections under this subsection (d) shall be permitted after 2006.

**4.2 Duration and Crediting of Participant Contributions.**

(a) Participant Contributions (as well as any corresponding Matching Contributions) shall be made solely pursuant to a proper election and only during the Participant's lifetime and while the Participant remains an Eligible Employee (if the Participant ceases to be an Eligible Employee, his or her election to make Employee Contributions shall be cancelled); provided, however, Termination of Employment of an Eligible Employee shall not constitute loss of eligibility solely with respect to contribution of Base Salary or Bonus Awards earned prior to termination but paid within 60 days thereafter or with respect to a Bonus or Long-Term Incentive Award paid after Retirement (and such person shall be deemed an Eligible Employee for such contributions).

(b) Participant Contributions shall be credited to a Contribution Account when the compensation would have otherwise actually been paid were it not for an election under this Plan. A contribution from any eligible payment that is delayed for any reason shall be credited when the delayed payment is made.

**4.3 Crediting of Interest.**

Interest is to be credited to the Participant's Contribution Account pursuant to the provisions of this Section 4.3 and the procedures adopted by the Administrator for crediting interest. The annual interest rate for each calendar year shall be a reasonable rate of interest as determined by the Vice President and Treasurer with the concurrence of the Chief

Financial Officer. However, in no event will the interest rate for any calendar year be less than the Moody's Corporate Bond Yield Average as published by Moody's Investor Services, Inc. (or any successor thereto) for the month ending two months prior to the month in which Eligible Employees make their annual deferral elections under the Plan. Effective January 1, 2009, the interest rate shall equal the Moody's Long-Term Corporate Bond Yield Average for the month of September preceding the calendar year during which the interest rate will apply or such other interest rate determined by the Administrator.

**4.4 Matching Contributions.**

When an Eligible Employee makes a Participant Contribution, his/her Contribution Account shall be credited with an amount found by multiplying the matching contribution rate provided in the Cingular Wireless 401(k) plan, including any special transition rates, by:

(a) 6% (or such other percentage as approved by the Committee) of the Participant Contributions; plus,

(b) 6% of any eligible compensation, excluding the Participant Contribution, that is in excess of the Code Section 401(a)(17) limits.

Compensation paid in the form of a Long-Term Incentive Award is not eligible for Matching Contributions.

**4.5 Freeze of Plan.**

No Participant Contributions or Matching Contributions with respect to Base Salary, Bonus Awards or Long-Term Incentive Awards shall be made to or permitted under the Plan after 2008. Participant Contribution Accounts as of December 31, 2008 shall continue to be credited with interest pursuant to Section 4.3 and shall remain subject to the provisions of the Plan, as it may be amended from time to time.

**Article 5 - RESERVED–**

**Article 6 - Distributions**

**6.1 Employee Elections.**

Eligible Employees shall designate the time for a distribution and form of payment from their Participant Contribution Accounts at the same time contribution elections are made in Article 4. Eligible Employees may elect to receive a distribution: (a) following Termination of Employment or (b) prior to Termination of Employment.

**(a)** Employee Elections to Receive Distributions from Participant Accounts Following Termination of Employment.

Participants may elect, during the applicable enrollment period under Article 4, to receive a distribution from their account following their Termination of Employment. Participants, who are eligible for Retirement at the time of their Termination of Employment, may elect, during the applicable enrollment period under Article 4, to receive their distributions in 1 to 10 payments beginning in March of the year following Termination of Employment.

Participants, who are not eligible for Retirement at the time of Termination of Employment, may elect, during the applicable enrollment period under Article 4, to receive their distributions in 1 to 3 payments beginning in March of the year following Termination of Employment.

If Participants do not have a valid election on file, distributions will be made in a single lump sum payment.

**(b)** Employee Elections to Receive Distributions from Participant Contribution Accounts Prior to Termination of Employment.

In lieu of an election to receive a distribution at Termination of Employment, Eligible Employees may elect, during the applicable enrollment period under Article 4, to receive a distribution from their Contribution Accounts prior to Termination of Employment. Such election must be made during the applicable enrollment period determined by Article 4. Eligible Employees may elect to receive an "in-service" distribution according to the following guidelines:

Participants may elect to receive an in-service distribution in any year of an 8 year period beginning in the third year following the year of the deferrals. For example, for deferrals in 2005, in-service distributions can be elected in 2008 through 2015.

All in-service distributions will be paid in March of the year of the requested distribution. The total value, consisting of Participant and Company Match Contributions plus accrued interest as of March 1 (the Valuation Date) related to the specific deferral, will be paid in a single payment.

Notwithstanding any of the provisions of this paragraph 6.2, if a Participant incurs a Termination of Employment in a year prior to the year of a scheduled in-service distribution, the value of the Employee's Contribution Account will be distributed in accordance with the guidelines for a distribution at Termination of Employment.

**6.2 Distributions from Participant Accounts.**

(a) Notwithstanding any elections made by a Participant, but subject to the provisions of (b) through (e) below and the last paragraph of Section 6.1(b) of the Plan, a Participant's account shall be distributed following the first to occur of the following events (and no sooner):

(i) The Participant's Termination of Employment;
(ii) The date of the Participant's death; or
(iii) The date specified in an election made pursuant to Section 6.1(b).

(b) All distributions will be based on the value of the Employee's Contribution Account as of March 1 of the year of the distribution. Generally, Participants shall receive distribution payments within 30 workdays following the applicable March 1.

(c) Multi-year distributions will be based on the Value of the Employee's Contribution Account as of March 1 of each year. Distributions are to be equal to the Participant's Contribution Account balance divided by the number of remaining distributions.

(d) Notwithstanding the provisions of (a) or (b) above or any provision in the Plan, if the Value of the Employee's Contribution Account is (1) less than $50,000 as of March 1 of the year of the initial distribution payment, the number of multi-year payments can not exceed three, or (2) less than $10,000 of the year of the initial distribution, the total Contribution Account balance will be paid in a single payment.

(e) All distributions are subject to Section 6.6 of the Plan.

**6.3 Revoked or Amended Elections.**

A Participant, who has previously elected to receive a distribution prior to Termination of Employment pursuant to Section 6.1(b), may revoke such election during the time period specified by the Administrator. Generally, the period for revoking such elections will be a period that occurs prior to the year preceding the year of the distribution. If an election to receive a distribution prior to Termination of Employment is revoked, the value of the distribution will remain in the Employee's Contribution Account and will be distributed following the later of (i) Termination of Employment or (ii) the date which is five (5) years from the date such payment would have been made had such election not been revoked by

the Participant, and no further changes may be elected at any time.

A Participant, who has elected to receive a distribution at Termination of Employment pursuant to Section 6.1(a), may amend that election to increase the number of distribution payments to be received following a Termination of Employment. Provided, however, the first distribution shall not occur until the date which is five (5) years from the date such distributions would have commenced had such election not been changed by the Participant. To be valid, a revised election must be submitted during the time period established by the Administrator which shall occur prior to the year preceding the year the distribution was originally scheduled to occur. No election to decrease the number of payments or accelerate the time for payments will be permitted by a Participant under any circumstances.

**6.4 Designation of Beneficiary; Distributions at Death.**

Each Participant may designate a beneficiary or beneficiaries (who may be named contingently or successively) who, upon the Participant's death, will receive the amounts that otherwise would have been paid to the Participant under the Plan. All designations shall be signed by the Participant, and shall be in such form as prescribed by the Administrator. Each designation shall be effective as of the date received from the Participant.

Participants may change their designations of beneficiary on a form prescribed by the Administrator. The payment of amounts deferred under the Plan shall be in accordance with the last unrevoked written designation of beneficiary that has been signed by the Participant and delivered by the Participant to the Administrator or a designated third party.

In the event that all the beneficiaries named by a Participant pursuant to this Section 6.4 predecease the Participant, the deferred amounts that would have been paid to the Participant or the Participant's beneficiaries shall be paid to the Participant's estate.

In the event a Participant does not designate a beneficiary, or for any reason such designation is ineffective, in whole or in part, the amounts that otherwise would have been paid to the Participant or the Participant's beneficiaries under the Plan shall be paid to the Participant's estate.

In the event of death, payments shall commence beginning in March of the year following the date of the Participant's death. The Participant's Contribution Account will be paid in 1 to 10 payments, as specified by the Participant on the Beneficiary Designation Form, subject to the rules contained in Section 6.2(b), (c) or (d). If no Beneficiary Designation Form is on file, payments will be made in a single lump sum payment.

**6.5 Distribution Process.**

As to a Participant's deferrals of cash compensation, the payment of which would have been deductible by an Employer under Section 162(m) of the Code, regardless of the size of the cash compensation, shall be deemed to be distributed first.

**6.6 Payments to Specified Employees Following Termination of Employment**

Notwithstanding any provision of this Plan to the contrary, effective on or after December 29, 2006, payments to Participants following a Termination of Employment who are Specified Employees as of their Termination of Employment shall not be made before the date which is 6 months after the Participant's Termination of Employment (or, if earlier, the date of the Participant's death).

**Article 7 - Discontinuation, Termination, Amendment** .

AMLLC hereby reserves the right to amend, modify or terminate the Plan at any time by action of the Board of Directors. Notwithstanding the foregoing, the Senior Vice President of Human Resources may make ministerial amendments to the plan to conform the plan to the intent of the Administrator.

The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly compensated" within the meaning of Sections 201, 301 and 401 of ERISA, and therefore be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Board may terminate the Plan and commence termination payout for all or certain Participants, or remove certain employees as Participants, if it is determined by the United States Department of Labor or a court of competent jurisdiction that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt. If payout is commenced pursuant to the operation of this Article 7, the payment of such amounts shall be made in a lump sum regardless of the manner selected by each Participant under Article 6 herein as applicable.

**Article 8 - Miscellaneous**

**8.1 Tax Withholding** .

Upon distribution the Administrator shall withhold amounts required to satisfy the Federal, state, and local taxes required by law to be withheld as a result of such distribution.

**8.2 Elections and Notices.**

Notwithstanding anything to the contrary contained in this Plan, all elections and notices of every kind shall be made on forms prepared by the Administrator or made in such other manner as permitted or required by the Administrator, including through electronic means, over the Internet or otherwise. An election shall be deemed made when received by the Administrator, which may waive any defects in form. Unless made irrevocable by the electing person, each election with regard to making Participant contributions or distributions shall become irrevocable at the close of business on the last day to make such election. The Administrator may limit the time an election may be made in advance of any deadline.

Any notice or filing required or permitted to be given to AMLLC under the Plan shall be delivered to the principal office of AMLLC, directed to the attention of the Senior Executive Vice President-Human Resources of AMLLC or his or her successor. Such notice shall be deemed given on the date of delivery.

Notice to the Participant shall be deemed given when mailed (or sent by telecopy) to the Participant's work or home address as shown on the records of AMLLC or, at the option of the Administrator, to the Participant's e-mail address as shown on the records of AMLLC. It is the Participant's responsibility to ensure that the Participant's addresses are kept up to date on the records of AMLLC. In the case of notices affecting multiple Participants, the notices may be given by general distribution at the Participants' work locations.

**8.3 Rights of Participants; Unsecured General Creditor** .

The Plan shall create a contractual obligation on the part of AMLLC to make payments from the Participant's accounts when due. Payment of account balances shall be made out of the general funds of the AMLLC.
Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any property or assets of any Employer. No assets of any Employer shall be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of any Employer under this Plan. Any and all of each Employer's assets shall be, and remain, the general, unpledged, unrestricted assets of such Employer. The only obligation of an Employer under the Plan shall be merely that of an unfunded and unsecured promise of AMLLC to distribute amounts deferred and interest theron under the Plan.

AMLLC may establish one or more trusts, with such trustee(s) as the Administrator may approve, for the purpose of providing for the payment of deferred amounts. Any such trust created by the AMLLC will conform to the terms of the model trust approved by the Internal Revenue Service pursuant to Revenue Procedure 92-64, or any amendment thereof or successor to the claims of the AMLLC's general creditors. To the extent any deferred amounts under the Plan are actually paid from any trust, the AMLLC shall have no further obligation with respect thereto, but to the extent not so paid, such deferred amounts shall remain the obligation of, and shall be paid by, AMLLC.

**8.4 Offset** .

The Administrator may offset against the Contribution Account otherwise distributable to a Participant, any amounts due an Employer by a Participant, including but not limited to overpayments under any compensation or benefit plans.

**8.5 Non-Assignability** .

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt of such amounts under the Plan, if any, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the Participant's Contribution Account, prior to actual distribution, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

**8.6 Employment Not Guaranteed** .

Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any employee any right to be retained in the employ of an Employer.

**8.7 Errors.**

At any time the Administrator may correct any error made under the Plan without prejudice to AMLLC, AT&T Mobility or any Affiliates. Such corrections may include, among other things, refunding contributions to a Participant with respect to any period he or she made Participant Contributions while not an Eligible Employee, or canceling the enrollment of a non-Eligible Employee.

**8.8 Captions** .

The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control nor affect the meaning or construction of any of its provisions.

**8.9 Governing Law** .

To the extent not preempted by ERISA, this Plan shall be governed by and construed in accordance with the substantive laws of the State of Texas, excluding any conflicts or choice of law rule or principle that might otherwise refer constructive or interpretation of this Plan to provisions of the substantive law of any jurisdiction other than the State of Texas. Any action seeking to enforce the rights of an employee, former employee or person who holds such rights through, from or on behalf of such employee or former employee under this Plan may be brought only in a Federal or state court located in Bexar County, Texas.

**8.10 Validity** .

In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

**8.11 Successors and Assigns** .

This Plan shall be binding upon AMLLC and Affiliates that have adopted the Plan, and their successors and assigns.

**Exhibit 12**

**AT&T, INC.**
**COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES**
Dollars in millions

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| Earnings: | | | | | |
| Income (loss) from continuing operations before income taxes | **$ 6,716** | $ 18,238 | $ 18,518 | $ (4,572) | $ 27,186 |
| Equity in net income of affiliates included above | **(784)** | (762) | (734) | (819) | (692) |
| Fixed Charges | **4,900** | 4,786 | 5,071 | 4,943 | 4,489 |
| Distributed income of equity affiliates | **161** | 161 | 317 | 164 | 395 |
| Interest capitalized | **(162)** | (772) | (740) | (659) | (171) |
| Earnings, as adjusted | **$ 10,831** | $ 21,651 | $ 22,432 | $ - | $ 31,207 |
| Fixed Charges: | | | | | |
| Interest expense | **$ 3,535** | $ 2,994 | $ 3,368 | $ 3,369 | $ 3,460 |
| Interest capitalized | **162** | 772 | 740 | 659 | 171 |
| Dividends on preferred securities | **-** | - | - | 4 | 3 |
| Portion of rental expense representative of interest factor | **1,203** | 1,020 | 963 | 911 | 855 |
| Fixed Charges | **$ 4,900** | $ 4,786 | $ 5,071 | $ 4,943 | $ 4,489 |
| Ratio of Earnings to Fixed Charges [1] | **2.21** | 4.52 | 4.42 | (0.19) | 6.95 |

[1]Earnings were not sufficient to cover fixed charges in 2008. The deficit was $943.

**Selected Financial and Operating Data**
Dollars in millions except per share amounts

| At December 31 and for the year ended: | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Financial Data** | | | | | |
| Operating revenues | **$ 126,723** | $ 124,280 | $ 122,513 | $ 123,443 | $ 118,322 |
| Operating expenses | **$ 117,505** | $ 104,707 | $ 101,513 | $ 125,133 | $ 89,181 |
| Operating income (loss) | **$ 9,218** | $ 19,573 | $ 21,000 | $ (1,690) | $ 29,141 |
| Interest expense | **$ 3,535** | $ 2,994 | $ 3,368 | $ 3,369 | $ 3,460 |
| Equity in net income of affiliates | **$ 784** | $ 762 | $ 734 | $ 819 | $ 692 |
| Other income (expense) - net | **$ 249** | $ 897 | $ 152 | $ (332) | $ 814 |
| Income tax expense (benefit) | **$ 2,532** | $ (1,162) | $ 6,091 | $ (2,210) | $ 9,917 |
| **Net Income (Loss)** | **$ 4,184** | $ 20,179 | $ 12,447 | $ (2,364) | $ 17,228 |
| **Less: Net Income Attributable to Noncontrolling Interest** | **$ (240)** | $ (315) | $ (309) | $ (261) | $ (196) |
| **Net Income (Loss) Attributable to AT&T** | **$ 3,944** | $ 19,864 | $ 12,138 | $ (2,625) | $ 17,032 |
| **Earnings (Loss) Per Common Share:** | | | | | |
| **Net Income (Loss) Attributable to AT&T** | **$ 0.66** | $ 3.36 | $ 2.06 | $ (0.44) | $ 2.78 |
| **Earnings (Loss) Per Common Share - Assuming Dilution:** | | | | | |
| **Net Income (Loss) Attributable to AT&T** | **$ 0.66** | $ 3.35 | $ 2.05 | $ (0.44) | $ 2.76 |
| Total assets [3] | **$ 270,344** | $ 269,391 | $ 268,312 | $ 264,700 | $ 274,951 |
| Long-term debt | **$ 61,300** | $ 58,971 | $ 64,720 | $ 60,872 | $ 57,253 |
| Total debt | **$ 64,753** | $ 66,167 | $ 72,081 | $ 74,990 | $ 64,112 |
| Construction and capital expenditures | **$ 20,272** | $ 20,302 | $ 17,294 | $ 20,290 | $ 17,831 |
| Dividends declared per common share | **$ 1.73** | $ 1.69 | $ 1.65 | $ 1.61 | $ 1.47 |
| Book value per common share | **$ 17.85** | $ 18.94 | $ 17.28 | $ 16.35 | $ 19.07 |
| Ratio of earnings to fixed charges [4] | **2.21** | 4.52 | 4.42 | - | 6.95 |
| Debt ratio | **38.0%** | 37.1% | 41.4% | 43.8% | 35.7% |
| Weighted average common shares outstanding (000,000) | **5,928** | 5,913 | 5,900 | 5,927 | 6,127 |
| Weighted average common shares outstanding with dilution (000,000) | **5,950** | 5,938 | 5,924 | 5,958 | 6,170 |
| End of period common shares outstanding (000,000) | **5,927** | 5,911 | 5,902 | 5,893 | 6,044 |
| **Operating Data** | | | | | |
| Wireless subscribers (000) [1] | **103,247** | 95,536 | 85,120 | 77,009 | 70,052 |
| In-region network access lines in service (000) [3] | **36,734** | 41,883 | 47,534 | 53,604 | 59,686 |
| Broadband connections (000) [2,3] | **16,427** | 16,309 | 15,789 | 15,077 | 14,156 |
| Number of employees | **256,420** | 266,590 | 282,720 | 302,660 | 309,050 |

[1] The number presented represents 100% of AT&T Mobility wireless customers.

[2] Broadband connections include in-region DSL lines, in-region U-verse High Speed Internet access, and satellite broadband.

[3] Prior period amounts are restated to conform to current period reporting methodology.

[4] Earnings were not sufficient to cover fixed charges in 2008. The deficit was $943.

For ease of reading, AT&T Inc. is referred to as "we," "AT&T" or the "Company" throughout this document, and the names of the particular subsidiaries and affiliates providing the services generally have been omitted. AT&T is a holding company whose subsidiaries and affiliates operate in the communications services industry in both the United States and internationally, providing wireless and wireline telecommunications services and equipment as well as advertising services. You should read this discussion in conjunction with the consolidated financial statements and accompanying notes. A reference to a "Note" in this section refers to the accompanying Notes to Consolidated Financial Statements. In the tables throughout this section, percentage increases and decreases that are not considered meaningful are denoted with a dash.

## RESULTS OF OPERATIONS

**Consolidated Results** Our financial results are summarized in the table below. We then discuss factors affecting our overall results for the past three years. These factors are discussed in more detail in our "Segment Results" section. We also discuss our expected revenue and expense trends for 2012 in the "Operating Environment and Trends of the Business" section.

| | | | | Percent Change | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011 vs. 2010** | 2010 vs. 2009 |
| Operating Revenues | **$ 126,723** | $ 124,280 | $ 122,513 | **2.0%** | 1.4% |
| Operating expenses | | | | | |
| Cost of services and sales | **57,374** | 52,379 | 50,639 | **9.5** | 3.4 |
| Selling, general and administrative | **38,844** | 32,864 | 31,359 | **18.2** | 4.8 |
| Impairment of intangible assets | **2,910** | 85 | - | **-** | - |
| Depreciation and amortization | **18,377** | 19,379 | 19,515 | **(5.2)** | (0.7) |
| Total Operating Expenses | **117,505** | 104,707 | 101,513 | **12.2** | 3.1 |
| Operating Income | **9,218** | 19,573 | 21,000 | **(52.9)** | (6.8) |
| Interest expense | **3,535** | 2,994 | 3,368 | **18.1** | (11.1) |
| Equity in net income of affiliates | **784** | 762 | 734 | **2.9** | 3.8 |
| Other income (expense) – net | **249** | 897 | 152 | **(72.2)** | - |
| Income from continuing operations before income taxes | **6,716** | 18,238 | 18,518 | **(63.2)** | (1.5) |
| Income from continuing operations | **4,184** | 19,400 | 12,427 | **(78.4)** | 56.1 |
| Net Income Attributable to AT&T | **$ 3,944** | $ 19,864 | $ 12,138 | **(80.1) %** | 63.7% |

**Overview**

**Operating income** decreased $10,355, or 52.9%, in 2011 and $1,427, or 6.8%, in 2010. Our operating margin was 7.3% in 2011, down from 15.7% in 2010 and 17.1% in 2009. Operating income for 2011 declined due to a noncash charge of $6,280 from actuarial losses related to pension and postretirement benefit plans, charges of $4,181 related to our decision to terminate the acquisition of T-Mobile USA, Inc. (T-Mobile) and noncash charges of $2,910 related to impairments of directory intangible assets. The 2011 operating income also declined due to higher wireless handset subsidies and commissions, partially offset by growth in wireless service and equipment revenue driven by continued subscriber growth and increased Wireline data revenue related to AT&T U-verse ® (U-verse) growth. Operating income for 2010 and 2009 included actuarial losses of $2,521 and $215, respectively. Operating income in 2010 also reflected growth in wireless service and data revenues, and higher wireline data revenue from U-verse growth, partially offset by declines in voice and print directory advertising revenue.

**Operating revenues** increased $2,443, or 2.0%, in 2011 and $1,767, or 1.4%, in 2010. The increases in 2011 and 2010 reflect continued growth in wireless service revenues driven by increases in the subscriber base and the increasing percentage of smartphones, which contribute to higher wireless data revenues. In addition, higher wireline data revenues from the continued growth of U-verse and strategic business services also contributed to the increase in both years. These increases were partially offset by continued declines in wireline voice and print directory advertising revenues.

Revenue growth continues to be tempered by declines in our voice revenues. During 2011, total switched access lines decreased 12.3%. Customers disconnecting access lines switched to wireless, Voice over Internet Protocol (VoIP) and cable offerings for voice and data or terminated service permanently as businesses closed or consumers left residences. While we lose wireline voice revenues, we have the opportunity to increase wireless service and wireline data revenues should customers choose us as their wireless provider, and for customers with our U-verse service, as their VoIP provider.

**Cost of services and sales** expenses increased $4,995, or 9.5%, in 2011 and $1,740, or 3.4%, in 2010. Excluding the increase of $1,668 related to the actuarial loss, expense increases in 2011 were primarily due to higher wireless handset costs related to strong smartphone sales, partially offset by lower financing-related costs associated with our pension and postretirement benefits (referred to as Pension/OPEB expenses) and other employee-related expenses. Excluding the increase of more than $700 in expense related to the actuarial loss, expense increases in 2010 were primarily due to higher smartphone handset costs, higher interconnect and network system costs, and higher Universal Service Fund (USF) costs, partially offset by lower Pension/OPEB financing costs and other employee-related expenses.

**Selling, general and administrative** expenses increased $5,980, or 18.2%, in 2011 and $1,505, or 4.8%, in 2010. The 2011 expenses increased by $2,091 related to the actuarial loss, $4,181 associated with T-Mobile and higher commissions paid on smartphone sales, slightly offset by lower severance accruals, Pension/OPEB financing costs and other employee-related charges. Expenses for 2010 increased $1,600 related to the actuarial loss, as well as increases in advertising and various support expenses, mostly offset by lower bad debt expense, Pension/OPEB financing costs and other employee-related expenses.

**Impairment of intangible assets** In 2011, we recorded noncash charges for impairments in our Advertising Solutions segment, which consisted of a $2,745 goodwill impairment and a $165 impairment of a trade name. The 2010 impairment of $85 was for the impairment of a trade name.

**Depreciation and amortization** expenses decreased $1,002, or 5.2%, in 2011 and $136, or 0.7%, in 2010. The decreases in 2011 and 2010 were primarily due to lower amortization of intangibles for customer lists related to acquisitions.

**Interest expense** increased $541, or 18.1%, in 2011 and decreased $374, or 11.1%, in 2010. The increase in interest expense for 2011 was primarily due to no longer capitalizing interest on certain spectrum that will be used to support our Long Term Evolution (LTE) technology, partially offset by a decrease in our average debt balances. Effective January 1, 2011, we ceased capitalization of interest on certain spectrum for LTE as this spectrum was determined to be ready for its intended use.

The decline in interest expense for 2010 was primarily due to a decrease in our average debt balances, along with a decrease in our weighted-average interest rate.

**Equity in net income of affiliates** increased $22, or 2.9%, in 2011 and $28, or 3.8%, in 2010. Increased equity in net income of affiliates in 2011 was due to improved operating results at América Móvil, S.A. de C.V. (América Móvil), partially offset by lower results from Télefonos de México, S.A. de C.V. (Telmex). The 2010 increase was due to improved results at América Móvil.

**Other income (expense) – net** We had other income of $249 in 2011, $897 in 2010 and $152 in 2009. Results for 2011 included $97 of net gains from the sale of investments, $80 of leveraged lease income and $73 of interest and dividend income.

Other income for 2010 included a $658 gain on the exchange of Telmex Internacional, S.A.B. de C.V. (Telmex Internacional) shares for América Móvil shares, $197 due to gains on the sale of investments, $71 of interest and dividend income and $66 of leveraged lease income, partially offset by $98 of investment impairments. Results for 2009 included gains of $154 on the sale of investments, $77 of interest and dividend income and leveraged lease income of $41, partially offset by $102 of investment impairments.

**Income tax expense** increased $3,694 in 2011 and decreased $7,253 in 2010. The increase in income tax in 2011 is primarily due to a settlement with the Internal Revenue Service (IRS) that occurred in the third quarter of 2010 related to a restructuring of our wireless operations, which lowered our income taxes in 2010 by $8,300. The tax benefit of the IRS settlement was partially offset by a $995 charge to income tax expense recorded during the first quarter of 2010 to reflect the deferred tax impact of enacted U.S. healthcare legislation and by lower income before income taxes during 2011 (see Note 10). Our effective tax rate in 2011 was 37.7%, compared to (6.4)% in 2010 and 32.9% in 2009.

**Income from discontinued operations, net of tax** In the third quarter of 2010, we sold our subsidiary Sterling Commerce Inc. (Sterling). Income from discontinued operations in 2010 was $779, including a gain of $769. Income from discontinued operations in 2009 was $20.

**Segment Results**

Our segments are strategic business units that offer different products and services over various technology platforms and are managed accordingly. Our operating segment results presented in Note 4 and discussed below for each segment follow our internal management reporting. We analyze our various operating segments based on segment income before income taxes. We make our capital allocations decisions based on our strategic direction of the business, needs of the network (wireless or wireline) providing services and other assets needed to provide emerging services to our customers. Actuarial gains and losses from pension and other postretirement benefits, interest expense and other income (expense) – net, are managed only on a total company basis and are, accordingly, reflected only in consolidated results. Therefore, these items are not included in the calculation of each segment's percentage of our total segment income. Each segment's percentage of total segment operating revenue and income calculations is derived from our segment results table in Note 4, and income percentage may total more than 100 percent due to losses in one or more segments. We have four reportable segments: (1) Wireless, (2) Wireline, (3) Advertising Solutions and (4) Other.

The ***Wireless segment*** accounted for approximately 50% of our 2011 total segment operating revenues as compared to 47% in 2010 and 94% of our 2011 total segment income as compared to 67% in 2010. This segment uses our nationwide network to provide consumer and business customers with wireless voice and advanced data communications services.

The ***Wireline segment*** accounted for approximately 47% of our 2011 total segment operating revenues as compared to 49% in 2010 and 45% of our 2011 total segment income as compared to 34% in 2010. This segment uses our regional, national and global network to provide consumer and business customers with landline voice and data communications services, AT&T U-verse TV, high-speed broadband, and voice services and managed networking to business customers.

The ***Advertising Solutions segment*** accounted for approximately 3% of our 2011 and 2010 total segment operating revenues. During 2011, expenses exceeded revenue and the segment incurred a loss, due to recorded impairments of goodwill and a trade name. During 2010, segment income was 4% of our 2010 total segment income. This segment includes our directory operations, which publish Yellow and White Pages directories and sell directory advertising, Internet-based advertising and local search.

The ***Other segment*** accounted for less than 1% of our 2011 and 2010 total segment operating revenues. Since segment operating expenses exceeded revenue in both years, a segment loss was incurred in both 2011 and 2010. This segment includes results from customer information services, our portion of the results from our international equity investments and all corporate and other operations. Also included in the Other segment are impacts of corporate-wide decisions for which the individual operating segments are not being evaluated, including interest cost and expected return on pension and postretirement benefits assets.

Operations and support expenses include bad debt expense; advertising costs; sales and marketing functions, including customer service centers; real estate costs, including maintenance and utilities on all buildings; credit and collection functions; and corporate support costs, such as finance, legal, human resources and external affairs. Pension and postretirement service costs, net of amounts capitalized as part of construction labor, are also included to the extent that they are associated with these employees. Our Wireless and Wireline segments also include certain network planning and engineering expenses, information technology, our repair technicians and repair services, and property taxes as operations and support expenses.

The following sections discuss our operating results by segment. We discuss capital expenditures for each segment in "Liquidity and Capital Resources."

**Wireless**
**Segment Results**

| | | | | Percent Change | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011 vs. 2010** | 2010 vs. 2009 |
| Segment operating revenues | | | | | |
| Service | **$ 56,726** | $ 53,510 | $ 48,563 | **6.0%** | 10.2% |
| Equipment | **6,486** | 4,990 | 4,941 | **30.0** | 1.0 |
| Total Segment Operating Revenues | **63,212** | 58,500 | 53,504 | **8.1** | 9.3 |
| Segment operating expenses | | | | | |
| Operations and support | **41,581** | 36,746 | 33,631 | **13.2** | 9.3 |
| Depreciation and amortization | **6,324** | 6,497 | 6,043 | **(2.7)** | 7.5 |
| Total Segment Operating Expenses | **47,905** | 43,243 | 39,674 | **10.8** | 9.0 |
| Segment Operating Income | **15,307** | 15,257 | 13,830 | **0.3** | 10.3 |
| Equity in Net Income (Loss) of Affiliates | **(29)** | 9 | 9 | **-** | - |
| Segment Income | **$ 15,278** | $ 15,266 | $ 13,839 | **0.1%** | 10.3% |

The following table highlights other key measures of performance for the Wireless segment:

| | **2011** | 2010 | 2009 | **2011 vs. 2010** | 2010 vs. 2009 |
|---|---|---|---|---|---|
| Wireless Subscribers (000) [1] | **103,247** | 95,536 | 85,120 | **8.1%** | 12.2% |
| Gross Subscriber Additions (000) [2] | **23,869** | 22,879 | 21,316 | **4.3** | 7.3 |
| Net Subscriber Additions (000) [2] | **7,699** | 8,853 | 7,278 | **(13.0)** | 21.6 |
| Total Churn | **1.37%** | 1.31% | 1.47% | **6 BP** | (16) BP |
| | | | | | |
| Postpaid Subscribers (000) | **69,309** | 68,041 | 64,627 | **1.9%** | 5.3% |
| Net Postpaid Subscriber Additions (000) [2] | **1,429** | 2,153 | 4,199 | **(33.6)** | (48.7) |
| Postpaid Churn | **1.18%** | 1.09% | 1.13% | **9 BP** | (4) BP |
| | | | | | |
| Prepaid Subscribers (000) | **7,225** | 6,524 | 5,350 | **10.7%** | 21.9% |
| Net Prepaid Subscriber Additions (000) [2] | **674** | 952 | (801) | **(29.2)** | - |
| | | | | | |
| Reseller Subscribers (000) | **13,644** | 11,645 | 10,439 | **17.2** | 11.6 |
| Net Reseller Subscriber Additions (000) [2] | **1,874** | 1,140 | 1,803 | **64.4** | (36.8) |
| | | | | | |
| Connected Device Subscribers (000) [3] | **13,069** | 9,326 | 4,704 | **40.1** | 98.3 |
| Net Connected Device Subscriber Additions (000) | **3,722** | 4,608 | 2,077 | **(19.2) %** | - |

1 Represents 100% of AT&T Mobility wireless customers.

2 Excludes merger and acquisition-related additions during the period.

3 Includes data-centric devices such as eReaders, home security monitoring, fleet management, and smart grid devices.

**Wireless Metrics**
**Subscriber Additions** As of December 31, 2011, we served 103.2 million wireless subscribers. Lower net subscriber additions (net additions) in 2011 were primarily attributable to lower net postpaid additions and lower net connected device additions. The decline in net postpaid additions in 2011 reflected slowing growth in the industry's subscriber base and higher postpaid churn attributable in part to the integration of Alltel Wireless (Alltel) customers into our network. The 4.3% increase in gross additions in 2011 was primarily related to higher activations of postpaid smartphones (handsets with voice and data capabilities using an advanced operating system to better manage data and Internet access), including Android devices and other non-iPhone smartphones, sales of tablets and connected devices, and growth in our reseller subscriber base.

Higher net additions in 2010 were primarily attributable to higher net connected device additions. Lower net postpaid additions in 2010 reflected slowing growth in the industry's subscriber base and lower postpaid churn throughout the industry. The 7.3% increase in gross additions in 2010 was primarily related to higher sales of connected devices.

**Average service revenue per user (ARPU)** from postpaid subscribers increased 1.8% in 2011 and 2.9% in 2010, driven by increases in postpaid data services ARPU of 15.3% in 2011 and 19.3% in 2010, reflecting increased usage of more advanced handsets by our subscribers. Of our total postpaid subscriber base, 71% now use more advanced handsets (with 57% using smartphones), up from 61% a year earlier (with 43% using smartphones) and 47% two years ago (with 33% using smartphones). Approximately 72% of our postpaid subscribers were on data plans as of December 31, 2011, up from 63% as of December 31, 2010. The growth in postpaid data services ARPU in 2011 and 2010 was partially offset by a 5.3% decrease in postpaid voice and other service ARPU in 2011 and a 4.1% decrease in 2010. Postpaid voice and other service ARPU declined due to lower access and airtime charges and roaming revenues in both years and a decline in long-distance usage in 2010. Continued growth in our FamilyTalk ® Plans (family plans) subscriber base, which generates lower ARPU compared to ARPU for our traditional postpaid subscribers, has also contributed to these declines. About 86% of our postpaid subscribers are on family plans or business discount plans.

Total ARPU declined 3.8% in 2011 and 1.8% in 2010, reflecting stronger growth in connected devices and tablet subscribers compared to postpaid subscribers, in both years, and stronger growth in reseller subscribers in 2011. Connected devices and other data-centric devices, such as tablets, have lower-priced data-only plans compared with our postpaid plans, which have voice and data features. Accordingly, ARPU for these subscribers is typically lower compared to that generated from our subscribers on postpaid and other plans. Data services ARPU increased 9.8% in 2011 and 14.7% in 2010, reflecting subscriber growth trends. We expect continued revenue growth from data services as more customers purchase advanced handsets and data-centric devices, and as we continue to expand our network. Voice and other service ARPU declined 10.8% in 2011 and 8.6% in 2010 due to lower access and airtime charges and a greater percentage of data-centric devices. We expect continued pressure on voice and other service ARPU.

**Churn** The effective management of subscriber churn is critical to our ability to maximize revenue growth and to maintain and improve margins. Churn rate is calculated by dividing the aggregate number of wireless subscribers who canceled service during a period by the total number of wireless subscribers at the beginning of that period. The churn rate for the annual period is equal to the average of the churn rate for each month of that period. Higher total, postpaid and connected device churn rates in 2011 contributed to the decline in net additions for the year. Postpaid churn increased in 2011 as we transitioned former Alltel subscribers to our network. Reseller subscribers, who comprise an increasing share of net additions and generally have the lowest churn rate among our wireless subscribers, had a slightly lower churn rate in 2011. A lower prepaid churn rate in 2011, due in part to the introduction of additional tablets to the marketplace after the first quarter of 2010, partially offset higher postpaid and connected device churn rates in 2011.

Improvement in our total and postpaid churn rates contributed to our net additions in 2010. These churn rate declines reflected network enhancements and broader coverage, more affordable rate plans and exclusive devices, continued growth in family plans, and free mobile-to-mobile calling among our wireless subscribers. Data-centric device subscribers increased their share of net additions in 2010.

**Wireless Subscriber Relationships**
The wireless industry continues to mature. Accordingly, we believe that future wireless growth will increasingly depend on our ability to offer innovative services and devices. To attract and retain subscribers, we offer a wide variety of service plans in addition to offering a broad handset line. Our postpaid subscribers typically sign a two-year contract, which includes discounted handsets and early termination fees. We also offer data plans at different price levels to attract a wide variety of subscribers and to differentiate us from our competitors. Many of our subscribers are on family plans or business plans, which provide for service on multiple handsets at discounted rates, and such subscribers tend to have higher retention and lower churn rates. As of December 31, 2011, 86% of our postpaid subscribers are on family plans or business discount plans. We also introduced in 2011 our Mobile to Any Mobile feature, which enables our new and existing subscribers on these and other qualifying plans to make unlimited mobile calls to any mobile number in the United States as part of an unlimited text plan, subject to certain conditions. Such offerings are intended to encourage existing subscribers to upgrade their current services and/or add connected devices, attract subscribers from other providers, and minimize subscriber churn. In 2011, we continued to see a significant portion of our subscriber base upgrade from their current devices to smartphones.

We offer a large variety of handsets, including at least 16 smartphones with advanced operating systems from nine manufacturers. As technology evolves, rapid changes are occurring in the handset and device industry with the continual introduction of new models (e.g., various Windows, Android and other smartphones) or significant revisions of existing models. We believe a broad offering of a wide variety of handsets reduces dependence on any single product as these products continue to evolve in terms of technology and subscriber appeal. From time to time, we offer and have offered attractive handsets on an exclusive basis. As these exclusivity arrangements expire, we expect to continue to offer such handsets (based on historical industry practice), and we believe our service plan offerings will help to retain our subscribers by providing incentives not to move to a new carrier. As is common in the industry, most of our phones are designed to work only with our wireless technology, requiring subscribers who desire to move to a new carrier with a different technology to purchase a new device. While the expiration of our iPhone exclusivity arrangement in the first quarter of 2011 contributed slightly to the increase in postpaid churn in 2011, this increase was largely due to customers who were not currently using an iPhone. While the expiration of our iPhone exclusivity arrangement may continue to affect our net postpaid subscriber additions, we do not expect exclusivity terminations to have a material impact on our Wireless segment income, consolidated operating margin or our cash flows from operations.

We also believe future wireless growth will depend upon a wireless network that has sufficient spectrum and capacity to support innovative services and devices, and makes these innovations available to more wireless subscribers. Due to substantial increases in the demand for wireless service in the United States, AT&T is facing significant spectrum and capacity constraints on its wireless network in certain markets. We expect such constraints to increase and expand to additional markets in the coming years. While we are continuing to invest significant capital in expanding our network capacity, our capacity constraints could affect the quality of existing voice and data services and our ability to launch new, advanced wireless broadband services, unless we are able to obtain more spectrum. Any spectrum solution will require that the Federal Communications Commission (FCC) makes new spectrum available to the wireless industry and allows us to obtain the spectrum we need more immediately to meet the needs of our customers. We will continue to attempt to address spectrum and capacity constraints on a market-by-market basis.

**Operating Results**
Our Wireless segment operating income margin was 24.2% in 2011, compared to 26.1% in 2010 and 25.8% in 2009. The margin decrease in 2011 reflected higher equipment subsidies and selling costs associated with higher smartphone sales and handset upgrades, partially offset by higher revenues generated by our subscribers. While we subsidize the sales prices of various smartphones, we expect to recover that cost over time from increased usage of the devices, especially data usage by the subscriber. We also expect a recent change in our handset upgrade policy (to lengthen the time between upgrades) to help our margin.

The increase in our Wireless segment operating income margin in 2010 was primarily due to higher data revenues generated by our subscribers during the year, partially offset by the higher selling costs associated with more advanced handset activations. The rate of margin growth flattened in 2010 due to a significant number of subscribers upgrading their handsets during the second half of the year.

**Service** revenues are comprised of local voice and data services, roaming, long distance and other revenue. Service revenues increased $3,216, or 6.0%, in 2011 and $4,947, or 10.2%, in 2010. The increases consisted of the following:

- Data service revenues increased $3,824, or 21.0%, in 2011 and $4,052, or 28.7%, in 2010. The increases were primarily due to the increased number of subscribers and increased Internet access by subscribers using advanced handsets and data-centric devices, such as eReaders, tablets, and mobile navigation devices. Data service revenues accounted for approximately 38.8% of our wireless service revenues in 2011, compared to 34.0% in 2010 and 29.1% in 2009.
- Voice and other service revenues decreased $608, or 1.7%, in 2011 and increased $895, or 2.6%, in 2010. While the number of wireless subscribers increased 8.1% in 2011, these revenues continued to decline due to pricing decisions and usage declines, as noted in the ARPU and subscriber relationships discussions above. The increase in 2010 was due to a 12.2% increase in the number of wireless subscribers partially offset by declining ARPU.

**Equipment** revenues increased $1,496, or 30.0%, in 2011 and $49, or 1.0%, in 2010. The increase in 2011was primarily due to the launch of this year's iPhone model, which resulted in even higher iPhone sales and upgrades when compared to iPhone sales and upgrades during last year's model launch, and higher sales of Android devices and other smartphones in 2011. As previously noted, an increasing share of our postpaid subscriber base now uses a smartphone, and manufacturers continue to introduce smartphones to the marketplace. Our mix of smartphone sales as a percentage of total sales and upgrades to postpaid subscribers has continued to increase contributing to the year-over-year increase in equipment revenues.

The increase in 2010 was primarily due to higher sales and upgrades of postpaid smartphones and other advanced handsets.

**Operations and support** expenses increased $4,835, or 13.2%, in 2011 and $3,115, or 9.3%, in 2010. The increase in 2011 was primarily due to the following:

- Higher volumes of smartphone sales and handset upgrades, as well as handsets provided to former Alltel subscribers, increased equipment costs $2,836 and related commission expenses $1,080.
- Network system, interconnect, and long-distance costs increased $1,132 due to higher network traffic, higher recurring personnel-related network support costs in conjunction with our network enhancement efforts, and higher leasing costs.
- Selling expenses (other than commissions) increased $288 due to higher payroll and benefits costs, bad debt expense, and advertising, partially offset by lower costs associated with customer billing functions.

Partially offsetting these increases in 2011 were the following:

- Reseller, USF, and incollect roaming fees decreased $280 primarily due to lower usage and handset insurance costs, less the impact of a USF rate increase.
- Administrative expenses decreased $216 due to lower payroll, legal and operating tax costs, and a reclassification of shared information technology costs.

The increase in 2010 was primarily due to the following:

- Higher volumes of advanced handset sales and upgrades increased equipment costs $1,340 and commission expenses $132.
- Interconnect, USF and network system costs increased $1,103 due to higher network traffic, network enhancement efforts, revenue growth and a USF rate increase. These increases were partially offset by reseller service and long-distance cost decreases, totaling $93, due to lower usage.
- Administrative expenses increased $432 due in part to higher leasing, legal, and benefits costs.
- Selling expenses (other than commissions) increased $201, primarily due to increased advertising, partially offset by lower bad debt expense and customer service costs.

**Depreciation and amortization** expenses decreased $173, or 2.7%, in 2011 and increased $454, or 7.5%, in 2010. In 2011, amortization expense decreased $524, or 39.7%, primarily due to lower amortization of intangibles for customer lists related to acquisitions. Depreciation expense increased $351, or 6.8%, primarily due to ongoing capital spending for network upgrades and expansion and the reclassification of shared information technology costs partially offset by certain network assets becoming fully depreciated.

Depreciation expense increased $751, or 17.0%, in 2010 primarily due to increased capital spending for network upgrades and expansion and depreciation for assets acquired with the acquisition of Centennial Communications Corp. (Centennial), partially offset by certain network assets becoming fully depreciated. Amortization expense decreased $297, or 18.4%, in 2010 primarily due to lower amortization of intangibles for customer lists related to acquisitions, partially offset by an increase in customer lists amortization related to the Centennial acquisition.

**Wireline**
**Segment Results**

| | | | | Percent Change | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011 vs. 2010** | 2010 vs. 2009 |
| Segment operating revenues | | | | | |
| Data | **$ 29,606** | $ 27,555 | $ 25,644 | **7.4%** | 7.5% |
| Voice | **25,131** | 28,332 | 32,345 | **(11.3)** | (12.4) |
| Other | **5,028** | 5,413 | 5,632 | **(7.1)** | (3.9) |
| Total Segment Operating Revenues | **59,765** | 61,300 | 63,621 | **(2.5)** | (3.6) |
| Segment operating expenses | | | | | |
| Operations and support | **40,879** | 41,096 | 42,439 | **(0.5)** | (3.2) |
| Depreciation and amortization | **11,615** | 12,371 | 12,743 | **(6.1)** | (2.9) |
| Total Segment Operating Expenses | **52,494** | 53,467 | 55,182 | **(1.8)** | (3.1) |
| Segment Operating Income | **7,271** | 7,833 | 8,439 | **(7.2)** | (7.2) |
| Equity in Net Income of Affiliates | **-** | 11 | 17 | **-** | (35.3) |
| Segment Income | **$ 7,271** | $ 7,844 | $ 8,456 | **(7.3) %** | (7.2) % |

**Operating Results**
Our Wireline segment operating income margin was 12.2% in 2011, compared to 12.8% in 2010 and 13.3% in 2009. Results for 2011 and 2010 reflect revenue declines that exceeded expense declines. Our Wireline segment operating income decreased $562, or 7.2%, in 2011 and $606, or 7.2%, in 2010. Our operating income and margins continued to be pressured by access line declines as our consumer and business customers either reduced usage or disconnected traditional landline services and switched to alternative technologies, such as wireless and VoIP. Our strategy is to offset these line losses by increasing non-access-line-related revenues from customer connections for data, video and U-verse voice. Additionally, we have the opportunity to increase Wireless segment revenues if customers choose AT&T Mobility as an alternative provider. The Wireline segment operating margins also reflect increases in data revenue growth and decreases in employee-related cost, driven by continuing cost-control initiatives and workforce reductions.

**Data** revenues increased $2,051, or 7.4%, in 2011 and $1,911, or 7.5%, in 2010. Data revenues accounted for approximately 50% of wireline operating revenues in 2011, 45% in 2010 and 40% in 2009. Data revenues include transport, IP and packet-switched data services.

- IP data revenues increased $2,502, or 16.1%, in 2011 and $2,495, or 19.1%, in 2010 primarily driven by U-verse services, broadband additions and growth in IP-based strategic business services, which include Ethernet and application services. U-verse video revenues increased $1,150 in 2011 and $1,227 in 2010, strategic business services increased $873 in 2011 and $650 in 2010 and broadband high-speed Internet access revenue increased $364 in 2011 and $446 in 2010. New and existing U-verse customers are shifting from traditional landlines and DSL to our U-verse VoIP and High Speed Internet access offerings. The increase in IP data revenues in 2011 and 2010 reflects continued growth in the customer base and migration from other traditional data and voice circuit-based services.
- Traditional packet-switched data services, which include frame relay and asynchronous transfer mode services, decreased $367, or 23.2%, in 2011 and $431, or 21.4%, in 2010. This decrease was primarily due to lower demand as customers continue to shift to IP-based technology such as Virtual Private Networks (VPN), U-verse High Speed Internet access and managed Internet services. We expect these traditional services to continue to decline as a percentage of our overall data revenues.

**Voice** revenues decreased $3,201, or 11.3%, in 2011 and $4,013, or 12.4%, in 2010 primarily due to declining demand for traditional voice services by our consumer and business customers. Included in voice revenues are revenues from local voice, long distance (including international) and local wholesale services. Voice revenues do not include VoIP revenues, which are included in data revenues.

- Local voice revenues decreased $2,061, or 11.8%, in 2011 and $2,258, or 11.4%, in 2010. The decrease in 2011 was driven primarily by a 12.3% decline in switched access lines. The decrease in 2010 was driven primarily by an 11.9% decline in switched access lines and a decrease in average local voice revenue per user. We expect our local voice revenue to continue to be negatively affected by competition from alternative technologies and the disconnection of additional lines.
- Long-distance revenues decreased $1,069, or 11.0%, in 2011 and $1,587, or 14.1%, in 2010. Lower demand for long-distance service from global businesses and consumer customers decreased revenues $828 in 2011 and $1,260 in 2010. Additionally, expected declines in the number of national mass-market customers decreased revenues $236 in 2011 and $332 in 2010.

**Other** operating revenues decreased $385, or 7.1%, in 2011 and $219, or 3.9%, in 2010. Major items included in other operating revenues are integration services and customer premises equipment, government-related services and outsourcing, which account for more than 60% of total other revenue for both periods.

**Operations and support** expenses decreased $217, or 0.5%, in 2011 and $1,343, or 3.2%, in 2010. Operations and support expenses consist of costs incurred to provide our products and services, including costs of operating and maintaining our networks and personnel costs, such as compensation and benefits.

The 2011 decrease was primarily due to lower employee-related expense of $441, reflecting ongoing workforce reduction initiatives, decreased traffic compensation expense of $403 and lower bad debt expense of $213 due to lower revenue from business customers and improvements in cash collections. These decreases were partially offset by increased cost of sales, primarily related to U-verse expansion-related expenses of $461, increased nonemployee-related expenses of $278 and increased contract services expense of $150.

The 2010 decrease was primarily due to lower employee-related expense of $734, reflecting ongoing workforce reduction initiatives, decreased traffic compensation expense of $452, decreased contract services expense of $314 and lower bad debt expense of $178 due to lower revenue from business customers and improvements in cash collections. These decreases were partially offset by increased cost of sales, primarily related to U-verse expansion-related expenses of $369.

**Depreciation and amortization** expenses decreased $756, or 6.1%, in 2011 and $372, or 2.9%, in 2010. Both decreases were primarily related to lower amortization of intangibles for customer lists associated with acquisitions.

**Supplemental Information**

**Telephone, Wireline Broadband and Video Connections Summary**
Our switched access lines and other services provided by our local exchange telephone subsidiaries at December 31, 2011, 2010, and 2009 are shown below and trends are addressed throughout this segment discussion.

| | | | | Percent Change | |
|---|---|---|---|---|---|
| ( in 000s) | **2011** | 2010 | 2009 | **2011 vs. 2010** | 2010 vs. 2009 |
| **Switched Access Lines** [1] | | | | | |
| Retail consumer | **18,954** | 22,515 | 26,378 | **(15.8)%** | (14.6)% |
| Retail business [2] | **15,613** | 17,006 | 18,486 | **(8.2)** | (8.0) |
| **Retail Subtotal** [2] | **34,567** | 39,521 | 44,864 | **(12.5)** | (11.9) |
| **Wholesale Subtotal** [2] | **2,120** | 2,300 | 2,590 | **(7.8)** | (11.2) |
| **Total Switched Access Lines** [2,3] | **36,734** | 41,883 | 47,534 | **(12.3)** | (11.9) |
| **Total Retail Consumer Voice Connections** [6] | **21,232** | 24,195 | 27,332 | **(12.2)** | (11.5) |
| **Total Wireline Broadband Connections** [2,4] | **16,427** | 16,309 | 15,789 | **0.7** | 3.3 |
| Satellite service [5] | **1,765** | 1,930 | 2,174 | **(8.5)** | (11.2) |
| U-verse video | **3,791** | 2,987 | 2,065 | **26.9** | 44.6 |
| **Video Connections** | **5,556** | 4,917 | 4,239 | **13.0%** | 16.0% |

[1] Represents access lines served by AT&T's Incumbent Local Exchange Carriers (ILECs) and affiliates.
[2] Prior-period amounts restated to conform to current-period reporting methodology.
[3] Total switched access lines include payphone access lines of 47 at December 31, 2011, 62 at December 31, 2010, and 80 at December 31, 2009.
[4] Total wireline broadband connections include DSL, U-verse High Speed Internet and satellite broadband.
[5] Satellite service includes connections under our agency and resale agreements.
[6] Includes consumer U-verse VoIP connections of 2,278 at December 31, 2011, 1,680 at December 31, 2010, and 954 at December 31, 2009.

**Advertising Solutions**
**Segment Results**

| | | | | Percent Change | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011 vs. 2010** | 2010 vs. 2009 |
| Total Segment Operating Revenues | **$ 3,293** | $ 3,935 | $ 4,724 | **(16.3) %** | (16.7) % |
| Segment operating expenses | | | | | |
| Operations and support | **2,264** | 2,583 | 2,743 | **(12.3)** | (5.8) |
| Impairment of intangible assets | **2,910** | - | - | **-** | - |
| Depreciation and amortization | **386** | 497 | 650 | **(22.3)** | (23.5) |
| Total Segment Operating Expenses | **5,560** | 3,080 | 3,393 | **80.5** | (9.2) |
| Segment Income (Loss) | **$ (2,267)** | $ 855 | $ 1,331 | **-** | (35.8) % |

**Operating Results**
Our Advertising Solutions segment operating income margin was (68.8)% in 2011, compared to 21.7% in 2010 and 28.2% in 2009. The decline in the operating income margin in 2011 was primarily attributed to impairment charges of $2,910. Excluding the impacts of the impairment charge, the operating income margin declines in 2011 and 2010 were primarily the result of decreased print advertising revenue.

**Operating revenues** decreased $642, or 16.3%, in 2011 and $789, or 16.7%, in 2010. Print revenues decreased $680 in 2011, reflecting industry-wide migration from print advertising to online search, slightly offset by an increase in Internet-based and mobile advertising of $30. The decrease in 2010 was largely driven by continuing declines in print revenue of $858, partially offset by increased Internet-based and mobile advertising revenue of $77.

**Operating expenses** increased $2,480, or 80.5%, in 2011 and decreased $313, or 9.2%, in 2010. The increase in 2011 was due to impairments of $2,910, partially offset by decreased product-related expense of $188, lower amortization expense of $136 due to an accelerated method of customer list amortization and lower bad debt expense of $107. The impairments were driven by declines in print revenue as well as significant declines in the market value of peer companies in the industry. The 2010 decrease was largely driven by decreases in depreciation and amortization expense of $136, decreased employee-related cost of $99 and lower bad debt expense of $34.

**Other**

**Segment Results**

| | | | | Percent Change | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011 vs. 2010** | 2010 vs. 2009 |
| Total Segment Operating Revenues | **$ 453** | $ 545 | $ 664 | **(16.9) %** | (17.9) % |
| Total Segment Operating Expenses | **5,266** | 2,396 | 3,049 | - | (21.4) |
| Segment Operating Loss | **(4,813)** | (1,851) | (2,385) | - | 22.4 |
| Equity in Net Income of Affiliates | **813** | 742 | 708 | **9.6** | 4.8 |
| Segment Loss | **$ (4,000)** | $ (1,109) | $ (1,677) | - | (33.9) % |

The Other segment includes results from customer information services and all corporate and other operations. This segment includes our portion of the results from our international equity investments. Also included in the Other segment are impacts of corporate-wide decisions for which the individual operating segments are not being evaluated, including the interest cost and expected return on pension and postretirement benefits assets.

**Operating revenues** decreased $92, or 16.9%, in 2011 and $119, or 17.9%, in 2010. The decrease in both years was primarily due to reduced revenues from our operator services.

**Operating expenses** increased $2,870 in 2011 and decreased $653, or 21.4%, in 2010. Increased operating expenses in 2011 include $4,432 of charges related to T-Mobile, including $4,181 resulting from our termination of the acquisition, $3,962 of which was related to the termination fee and transfer of wireless spectrum. These fees were partially offset by lower severance charges, reduced Pension/OPEB financing-related costs and lower employee-related expenses. Decreased expenses in 2010 were due to lower Pension/OPEB financing-related costs and a decrease in operator services operating expense.

Our Other segment also includes our equity investments in América Móvil and Telmex, the income from which we report as equity in net income of affiliates. Our earnings from foreign affiliates are sensitive to exchange-rate changes in the value of the respective local currencies. Our equity in net income of affiliates by major investment is listed below:

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| América Móvil | **$ 720** | $ 560 | $ 505 |
| Telmex [1] | **95** | 150 | 133 |
| Telmex Internacional [2] | **-** | 34 | 72 |
| Other | **(2)** | (2) | (2) |
| **Other Segment Equity in Net Income of Affiliates** | **$ 813** | $ 742 | $ 708 |

[1] Acquired by América Móvil in 2011
[2] Acquired by América Móvil in 2010

**Equity in net income of affiliates** increased $71, or 9.6%, in 2011 and $34, or 4.8%, for 2010. Increased equity in net income of affiliates in both years was due to higher operating results at América Móvil, partially offset by lower results at Telmex in 2011. In November 2011, we tendered all of our shares in Telmex as part of América Móvil's acquisition of the outstanding shares of Telmex.

## OPERATING ENVIRONMENT AND TRENDS OF THE BUSINESS

**2012 Revenue Trends** We expect our operating environment in 2012 to remain challenging as weak economic conditions continue and competition remains strong. Despite these challenges, we expect our operating revenues in 2012 to grow, reflecting continuing growth in our wireless data and IP-related wireline data services, including U-verse and strategic business services. We expect our primary driver of growth to be wireless, especially in sales of and increases in data usage on smartphones and emerging devices (such as tablets, eReaders and mobile navigation devices). We expect that all our major customer categories will continue to increase their use of Internet-based broadband/data services. We expect continuing declines in traditional access lines and in print directory advertising. Where available, our U-verse services have proved effective in stemming access line losses, and we expect to continue to expand our U - verse service offerings in 2012.

**2012 Expense Trends** We will continue to focus sharply on cost-control measures. We will continue our ongoing initiatives to improve customer service and billing so we can realize our strategy of bundling services and providing a simple customer experience. We expect our 2012 operating income margin to improve as our revenues improve. Expenses related to growth areas of our business, especially in the wireless and strategic business services areas, will apply some pressure to our operating income margin.

**Market Conditions** During 2011, the securities and fixed income markets and the banking system in general continued to stabilize, although bank lending and the housing industry remained weak. The ongoing weakness in the general economy has also affected our customer and supplier bases. We saw lower demand from our residential customers as well as our business customers at all organizational sizes. Some of our suppliers continue to experience increased financing and operating costs. These negative economic trends were partially offset by continued growth in our wireless data and IP-related services. While the economy appears to have stabilized, we do not expect a return to historical growth levels during 2012. Should the economy instead deteriorate further, we likely will experience further pressure on pricing and margins as we compete for both wireline and wireless customers who have less discretionary income. We also may experience difficulty purchasing equipment in a timely manner or maintaining and replacing equipment under warranty from our suppliers.

Included on our consolidated balance sheets are assets held by benefit plans for the payment of future benefits. We contributed $1,000 to our pension plan in the fourth quarter of 2011 and are not required to make further significant funding contributions to our pension plans in 2012. However, because our pension plans are subject to funding requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA), a continued weakness in the equity, fixed income and real asset markets could require us in future years to make contributions to the pension plans in order to maintain minimum funding requirements as established by ERISA. Investment returns on these assets depend largely on trends in the U.S. securities markets and the U.S. economy. In addition, our policy of recognizing actuarial gains and losses related to our pension and other postretirement plans in the period in which they arise subjects us to earnings volatility caused by changes in market conditions. Changes in our discount rate, which are tied to changes in the bond market and changes in the performance of equity markets, may have significant impacts on the fair value of pension and other postretirement plans at the end of 2012 (see "Significant Accounting Policies and Estimates").

## OPERATING ENVIRONMENT OVERVIEW

AT&T subsidiaries operating within the United States are subject to federal and state regulatory authorities. AT&T subsidiaries operating outside the United States are subject to the jurisdiction of national and supranational regulatory authorities in the markets where service is provided, and regulation is generally limited to operational licensing authority for the provision of services to enterprise customers.

In the Telecommunications Act of 1996 (Telecom Act), Congress established a national policy framework intended to bring the benefits of competition and investment in advanced telecommunications facilities and services to all Americans by opening all telecommunications markets to competition and reducing or eliminating regulatory burdens that harm consumer welfare. However, since the Telecom Act was passed, the FCC and some state regulatory commissions have maintained or expanded certain regulatory requirements that were imposed decades ago on our traditional wireline subsidiaries when they operated as legal monopolies. We are pursuing additional legislative and regulatory measures to reduce regulatory burdens that are no longer appropriate in a competitive telecommunications market and that inhibit our ability to compete more effectively and offer services wanted and needed by our customers. At the same time, we also seek to ensure that legacy regulations are not extended to broadband or wireless services, which are subject to vigorous competition.

In addition, states representing a majority of our local service access lines have adopted legislation that enables new video entrants to acquire a single statewide or state-approved franchise (as opposed to the need to acquire hundreds or even thousands of municipal-approved franchises) to offer competitive video services. We also are supporting efforts to update and improve regulatory treatment for retail services. Regulatory reform and passage of legislation is uncertain and depends on many factors.

Our wireless operations operate in robust competitive markets but are likewise subject to substantial governmental regulation. Wireless communications providers must be licensed by the FCC to provide communications services at specified spectrum frequencies within specified geographic areas and must comply with the rules and policies governing the use of the spectrum as adopted by the FCC. The FCC has recognized that the explosive growth of bandwidth-intensive wireless data services requires the Government to make more spectrum available. We seek to ensure that we have the opportunity to obtain the spectrum we need to provide our customers with high-quality service. While wireless communications providers' prices and service offerings are generally not subject to state regulation, states continue to attempt to regulate or legislate various aspects of wireless services, such as in the area of consumer protection.

**Expected Growth Areas**

We expect our wireless services and wireline IP-data products to remain the most significant growth portions of our business and have also discussed trends affecting the segments in which we report results for these products (see "Wireless Segment Results" and "Wireline Segment Results"). Over the next few years, we expect our growth to come from: (1) our wireless service and (2) data/broadband, through existing and new services. We expect that our previous acquisitions will enable us to strengthen the reach and sophistication of our network facilities, increase our large-business customer base and enhance the opportunity to market wireless services to that customer base. Whether, or the extent to which, growth in these areas will offset declines in other areas of our business is not known.

**Wireless** Wireless is our fastest-growing revenue stream and we expect to deliver continued revenue growth in the coming years. We are in a period of rapid growth in wireless data usage and believe that there are substantial opportunities available for next-generation converged services that combine wireless, broadband, voice and video.

We cover most major metropolitan areas of the United States with our Universal Mobile Telecommunications System/High-Speed Downlink Packet Access (HSPA) and HSPA+ network technology, with HSPA+ providing 4G speeds when combined with our upgraded backhaul. At the end of 2011, over 80% of our data traffic was carried over this enhanced backhaul. Our network provides superior mobile broadband speeds for data and video services, as well as operating efficiencies using the same spectrum and infrastructure for voice and data on an IP-based platform. Our wireless network also relies on digital transmission technologies known as GSM, General Packet Radio Services and Enhanced Data Rates for GSM Evolution for data communications. As of December 31, 2011, we served 103 million subscribers. We have also begun transitioning our network to next generation LTE technology and expect this network to cover approximately 80% of the U.S. population and to be largely complete by the end of 2013. We continue to expand the number of locations, including airports and cafés, where customers can access broadband Internet connections using wireless fidelity (local radio frequency commonly referred to as Wi-Fi) wireless technology.

As the wireless industry continues to mature, we believe that future wireless growth will increasingly depend on our ability to offer innovative data services to customers, which in turn, will depend on the availability of additional spectrum. We are facing significant spectrum and capacity constraints on our wireless network in certain markets. We expect such constraints to increase and expand to additional markets in the coming years. While we are continuing to invest significant capital in expanding our network capacity, our capacity constraints could affect the quality of existing voice and data services and our ability to launch new, advanced wireless broadband services, unless we are able to obtain more spectrum. Any spectrum solution will require that the FCC makes new spectrum available to the wireless industry and allows us to obtain the spectrum we need more immediately to meet the needs of our customers. We will continue to attempt to address spectrum and capacity constraints on a market-by-market basis.

**U-verse Services** During 2011, we continued to expand our offerings of U-verse High Speed Internet and TV services. As of December 31, 2011, we reached our deployment goal of 30 million living units and have now passed 30.3 million living units (constructed housing units as well as platted housing lots). We are marketing U-verse services to 78% of those units and had 3.8 million subscribers by year-end 2011. During 2012, we will continue our efforts to increase sales to this base.

We believe that our U-verse TV service is a "video service" under the Federal Communications Act. However, some cable providers and municipalities have claimed that certain IP services should be treated as a traditional cable service and therefore subject to the applicable state and local cable regulation. Certain municipalities have delayed our requests to offer this service or have refused us permission to use our existing or new right-of-ways to deploy or activate our U - verse-related equipment, services and products, resulting in litigation. Petitions have been filed at the FCC alleging that the manner in which we provision "public, educational and governmental" (PEG) programming over our U-verse TV service conflicts with federal law, and a lawsuit has been filed in a California state superior court raising similar allegations under California law. If courts having jurisdiction where we have significant deployments of our U-verse services were to decide that federal, state and/or local cable regulation were applicable to our U-verse services, or if the FCC, state agencies or the courts were to rule that we must deliver PEG programming in a manner substantially different from the way we do today or in ways that are inconsistent with our current network architecture, it could have a material adverse effect on the cost and extent of our U-verse offerings.

**REGULATORY DEVELOPMENTS**

Set forth below is a summary of the most significant developments in our regulatory environment during 2011. While these issues may apply only to certain subsidiaries, the words "we," "AT&T" and "our" are used to simplify the discussion. The following discussions are intended as a condensed summary of the issues rather than as a comprehensive legal analysis and description of all of these specific issues.

***International Regulation*** Our subsidiaries operating outside the United States are subject to the jurisdiction of regulatory authorities in the market where service is provided. Our licensing, compliance and advocacy initiatives in foreign countries primarily enable the provision of enterprise (i.e., large-business) services. AT&T is engaged in multiple efforts with foreign regulators to open markets to competition, reduce network costs and increase our scope of fully authorized network services and products.

***Federal Regulation*** A summary of significant 2011 federal regulatory developments follows.

**Net Neutrality** In December 2010, the FCC adopted "net neutrality" rules that impose certain transparency and "no blocking" obligations on fixed and mobile broadband Internet access services, as well as a "no unreasonable discrimination" obligation that applies only to fixed services. The rules became effective on November 20, 2011. Verizon and other parties have filed appeals of the FCC's rules, which are pending in the D.C. Circuit Court of Appeals. We do not expect the FCC's rules to have a material impact on our operating results.

**Wireless Broadband Competition** In April 2011, the FCC released a wireless data roaming order requiring wireless carriers to offer wireless data roaming services on "commercially reasonable terms" to other wireless carriers in places where those operators do not have their own systems. We have entered into a number of data roaming agreements (including broadband data roaming agreements) and expect to enter into additional agreements in the future. Verizon has appealed this order in the D.C. Circuit Court of Appeals. We do not expect this order to have a material impact on our operating results.

**Intercarrier Compensation/Universal Service** In October 2011, the FCC adopted an order fundamentally overhauling its high-cost universal service program, through which it disburses approximately $4.5 billion/year to carriers providing telephone service in high-cost areas, and its existing intercarrier compensation (ICC) rules, which govern payments between carriers for the exchange of traffic. The order adopts rules to address immediately certain practices that artificially increase ICC payments, as well as other practices to avoid such payments. The order also establishes a new ICC regime that will result in the elimination of virtually all terminating switched access charges and reciprocal compensation payments over a six-year transition. In the order, the FCC also repurposed its high-cost universal service program to encourage providers to deploy broadband facilities in unserved areas. To accomplish this goal, the FCC will transition support amounts disbursed through its existing high-cost program to its new Connect America Fund, which eventually will award targeted high-cost support amounts to providers through a competitive process. AT&T supports many aspects of the order and new rules. AT&T and other parties have filed appeals of the FCC's rules, which are pending in the Tenth Circuit Court of Appeals. AT&T's appeal challenges only certain, narrow aspects of the order; AT&T intervened in support of the broad framework adopted by the order. We do not expect the FCC's rules to have a material impact on our operating results.

**T-Mobile Acquisition** As discussed in "Other Business Matters," we decided to terminate our acquisition of T-Mobile in December 2011; our decision reflected in part the delays and uncertainty associated by the Department of Justice's (DOJ) lawsuit objecting to the acquisition and the FCC Staff's recommendation to refer our application to an administrative law judge for additional review.

## COMPETITION

Competition continues to increase for telecommunications and information services. Technological advances have expanded the types and uses of services and products available. In addition, lack of or a reduced level of regulation of comparable alternatives (e.g., cable, wireless and VoIP providers) has lowered costs for these alternative communications service providers. As a result, we face heightened competition as well as some new opportunities in significant portions of our business.

### Wireless

We face substantial and increasing competition in all aspects of our wireless business. Under current FCC rules, multiple licensees, including six or more PCS licensees, two cellular licensees and one or more enhanced specialized mobile radio licenses may operate in each of our service areas, which results in the potential presence of multiple competitors. Our competitors include companies such as Verizon Wireless, Sprint Nextel Corp., T-Mobile, Metro PCS and Cricket, a larger number of regional providers of cellular, PCS and other wireless communications services and resellers of those services. More than 97% of the U.S. population lives in areas with at least three mobile telephone operators, and 90% of the population lives in areas with at least five competing carriers.

The FCC may develop rules to auction or otherwise make available additional spectrum to the wireless industry. The FCC has yet to develop the rules under which this spectrum might be available. We may experience significant competition from companies that provide similar services using other communications technologies and services. While some of these technologies and services are now operational, others are being developed or may be developed. We compete for customers based principally on service/device offerings, price, call quality, coverage area and customer service.

### Wireline

Our wireline subsidiaries expect continued competitive pressure in 2012 from multiple providers, including wireless, cable and other VoIP providers, interexchange carriers and resellers. In addition, economic pressures are forcing customers to terminate their traditional local wireline service and use competitive wireless and Internet-based services, intensifying a pre-existing trend toward wireless and Internet use. At this time, we are unable to quantify the effect of competition on the industry as a whole or financially on this segment. However, we expect both losses of revenue share in local service and gains resulting from business initiatives, especially in the area of bundling of products and services, including wireless and video, large-business data services and broadband. In most markets, we compete with large cable companies, such as Comcast Corporation, Cox Communications Inc. and Time Warner Cable Inc., for local, high-speed Internet and video services customers and other smaller telecommunications companies for both long-distance and local services customers.

Our wireline subsidiaries generally remain subject to regulation for wholesale services by state regulatory commissions for intrastate services and by the FCC for interstate services. Under the Telecom Act, companies seeking to interconnect to our wireline subsidiaries' networks and exchange local calls enter into interconnection agreements with us. Any unresolved issues in negotiating those agreements are subject to arbitration before the appropriate state commission. These agreements (whether fully agreed-upon or arbitrated) are then subject to review and approval by the appropriate state commission.

Our wireline subsidiaries (excluding rural carrier affiliates) operate under state-specific forms of regulation for retail services that was either legislatively enacted or authorized by the appropriate state regulatory commission. Most states deregulate the competitive services; impose price caps for some services where the prices for these services are not tied to the cost of providing the services or to rate-of-return requirements; or adopt a regulatory framework that incorporates deregulation and price caps. Some states may impose minimum customer service standards with required payments if we fail to meet the standards.

We continue to lose access lines due to competitors (e.g., wireless, cable and VoIP providers) who can provide comparable services at lower prices because they are not subject to traditional telephone industry regulation (or the extent of regulation is in dispute), utilize different technologies, or promote a different business model (such as advertising based) and consequently have lower cost structures. In response to these competitive pressures, for several years we have utilized a bundling strategy that rewards customers who consolidate their services (e.g., local and long-distance telephone, high-speed Internet, wireless and video) with us. We continue to focus on bundling wireline and wireless services, including combined packages of minutes and video service through our U-verse service and our relationships with satellite television providers. We will continue to develop innovative products that capitalize on our IP-based network.

Additionally, we provide local, domestic intrastate and interstate, international wholesale networking capacity, and switched services to other service providers, primarily large Internet Service Providers using the largest class of nationwide Internet networks (Internet backbone), wireless carriers, Competitive Local Exchange Carriers, regional phone ILECs, cable companies and systems integrators. These services are subject to additional competitive pressures from the development of new technologies and the increased availability of domestic and international transmission capacity. The introduction of new products and service offerings and increasing satellite, wireless, fiber-optic and cable transmission capacity for services similar to those provided by us continue to provide competitive pressures. We face a number of international competitors, including Orange Business Services, British Telecom, SingTel and Verizon Communications Inc., as well as competition from a number of large systems integrators, such as HP Enterprise Services.

**Advertising Solutions**
Our Advertising Solutions subsidiaries face competition from approximately 100 publishers of printed directories in their operating areas. Competition also exists from other advertising media, including newspapers, radio, television and direct-mail providers, as well as many forms of Internet-based and mobile advertising. Through our wholly-owned subsidiary, YELLOWPAGES.COM LLC, we compete with other providers of Internet-based advertising and local search.

## ACCOUNTING POLICIES AND STANDARDS

**Critical Accounting Policies and Estimates** Because of the size of the financial statement line items they relate to or the extent of judgment required by our management, some of our accounting policies and estimates have a more significant impact on our financial statements than others. The following policies are presented in the order in which the topics appear in our consolidated statements of income.

**Allowance for Doubtful Accounts** We maintain an allowance for doubtful accounts for estimated losses that result from the failure of our customers to make required payments. When determining the allowance, we consider the probability of recoverability based on past experience, taking into account current collection trends as well as general economic factors, including bankruptcy rates. Credit risks are assessed based on historical write-offs, net of recoveries, and an analysis of the aged accounts receivable balances with reserves generally increasing as the receivable ages. Accounts receivable may be fully reserved for when specific collection issues are known to exist, such as pending bankruptcy or catastrophes. The analysis of receivables is performed monthly, and the allowances for doubtful accounts are adjusted through expense accordingly. A 10% change in the amounts estimated to be uncollectible would result in a change in the provision for uncollectible accounts of approximately $114.

**Pension and Other Postretirement Benefits** Our actuarial estimates of retiree benefit expense and the associated significant weighted-average assumptions are discussed in Note 11. Our assumed discount rate of 5.30% at December 31, 2011, reflects the hypothetical rate at which the projected benefit obligations could be effectively settled or paid out to participants. We determined our discount rate based on a range of factors, including a yield curve comprised of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date and the related expected duration for the obligations. These bonds were all rated at least Aa3 or AA- by one of the nationally recognized statistical rating organizations, denominated in U.S. dollars, and neither convertible nor index linked. For the year ended December 31, 2011, we decreased our discount rate by 0.50%, resulting in an increase in our pension plan benefit obligation of $3,384 and an increase in our postretirement benefit obligation of $2,114. For the year ended December 31, 2010, we decreased our discount rate by 0.70%, resulting in an increase in our pension plan benefit obligation of $3,995 and an increase in our postretirement benefit obligation of $2,817.

Our return on assets assumption was 8.25% for the year ended December 31, 2011. In 2011, we experienced actual returns on investments lower than expected; however, in 2012 we will maintain 8.25% for our expected return on assets, based on long-term expectations of future market performance and the asset mix of the plans' investments. Our expected return on plan assets is calculated using the actual fair value of plan assets. If all other factors were to remain unchanged, we expect that a 1.0% decrease in the actual long-term rate of return would cause 2012 combined pension and postretirement cost to increase $525, which under our accounting policy would be recognized in the current year as part of our fourth-quarter remeasurement of our retiree benefit plans.

We recognize actual gains and losses on pension and postretirement plan assets immediately in our operating results. These gains and losses are generally measured annually as of December 31 and accordingly will normally be recorded during the fourth quarter, unless an earlier remeasurement is required. Should actual experience differ from actuarial assumptions, the projected pension benefit obligation and net pension cost and accumulated postretirement benefit obligation and postretirement benefit cost would be affected in future years. Note 11 also discusses the effects of certain changes in assumptions related to medical trend rates on retiree healthcare costs.

**Depreciation** Our depreciation of assets, including use of composite group depreciation and estimates of useful lives, is described in Notes 1 and 5. We assign useful lives based on periodic studies of actual asset lives. Changes in those lives with significant impact on the financial statements must be disclosed, but no such changes have occurred in the three years ended December 31, 2011. However, if all other factors were to remain unchanged, we expect that a one-year increase in the useful lives of our plant in service would result in a decrease of approximately $2,325 in our 2011 depreciation expense and that a one-year decrease would result in an increase of approximately $3,474 in our 2011 depreciation expense.

**Asset Valuations and Impairments** We account for acquisitions completed after 2008 using the acquisition method. We allocate the purchase price to the assets acquired and liabilities assumed based on their estimated fair values. The estimated fair values of intangible assets acquired are based on the expected discounted cash flows of the identified customer relationships, patents, trade names and FCC licenses. In determining the future cash flows, we consider demand, competition and other economic factors.

Customer relationships, which are finite-lived intangible assets, are primarily amortized using the sum-of-the-months-digits method of amortization over the period in which those relationships are expected to contribute to our future cash flows. The sum-of-the-months-digits method is a process of allocation and reflects our belief that we expect greater revenue generation from these customer relationships during the earlier periods after acquisition. Amortization of other intangibles, including patents and certain trade names, is determined using the straight-line method of amortization over the expected remaining useful lives.

Goodwill, wireless FCC licenses, and other trade names are not amortized but tested annually for impairment. We conduct our impairment tests as of October 1. We test goodwill on a reporting unit basis, and our reporting units coincide with our segments, except for certain operations in our Other segment. If, due to changes in how we manage the business, we move a portion of a reporting unit to another reporting unit, we determine the amount of goodwill to reallocate to the new reporting unit based on the relative fair value of the portion of the business moved and the portion of the business remaining in the reporting unit. The goodwill impairment test is a two-step process. The first step involves determining the fair value of the reporting unit and comparing that measurement to the book value. If the fair value exceeds the book value, then no further testing is required. If the fair value is less than the book value (i.e., an indication of impairment exists), then we perform the second step.

In the second step, we determine the fair values of all of the assets and liabilities of the reporting unit, including those that may not be currently recorded. The difference between the sum of all of those fair values and the overall reporting unit's fair value is a new implied goodwill amount, which we compare to the recorded goodwill. If implied goodwill is less than the recorded goodwill, then we record an impairment of the recorded goodwill. The amount of this impairment may be more or less than the difference between the overall fair value and book value of the reporting unit. It may even be zero if the fair values of other assets are less than their book values.

As shown in Note 6, more than 99% of our goodwill resides in the Wireless, Wireline, and Advertising Solutions segments. For each of those segments, we assess their fair value using a market multiple approach and a discounted cash flow approach. Our primary valuation technique is to determine enterprise value as a multiple of a company's Earnings Before Interest, Taxes, and Depreciation and Amortization expenses (EBITDA). We determined the multiples of the publicly traded companies whose services are comparable to those offered by the segment and then calculate a weighted average of those multiples. Using those weighted averages, we then calculated fair values for each of those segments. We also perform a discounted cash flow analysis as a secondary test of fair value to corroborate our primary market multiple test. Except for the Advertising Solutions segment, the calculated fair value of the reporting unit exceeded book value in all circumstances and no additional testing was necessary. As a result of our 2011 impairment test, we recorded a goodwill impairment charge in the Advertising Solutions segment due to declines in the value of our directory business and that industry (see Note 6). We also recorded a corresponding impairment to an indefinite-lived trade name used by the Advertising Solutions segment. For the Wireless and Wireline segments, in the event of a 10% drop in the fair values of the reporting units, the fair values would have still exceeded the book values of the reporting units and additional testing would still have not been necessary.

Wireless FCC licenses are tested for impairment on an aggregate basis, consistent with the management of the business on a national scope. As in prior years, we performed our test of the fair values of FCC licenses using a discounted cash flow model (the Greenfield Approach). The Greenfield Approach assumes a company initially owns only the wireless FCC licenses, and then makes investments required to build an operation comparable to the one that currently utilizes the licenses. We utilized a 17-year discrete period to isolate cash flows attributable to the licenses, including modeling the hypothetical build-out. The projected cash flows are based on certain financial factors, including revenue growth rates, EBITDA margins and churn rates. We expect wireless revenue growth to trend down from our 2011 growth rate of 8.1% to a long-term growth rate that reflects expected long-term inflation trends. We expect our churn rates to decline in 2012 from our rate of 1.37% in 2011, in line with expected trends in the industry but at a rate comparable with industry-leading churn. EBITDA margins should continue to trend at about 40%.

This model then incorporates cash flow assumptions regarding investment in the network, development of distribution channels and the subscriber base, and other inputs for making the business operational. We based the assumptions, which underlie the development of the network, subscriber base and other critical inputs of the discounted cash flow model, on a combination of average marketplace participant data and our historical results, trends and business plans. We also used operating metrics such as capital investment per subscriber, acquisition costs per subscriber, minutes of use per subscriber, etc., to develop the projected cash flows. Since we included the cash flows associated with these other inputs in the annual cash flow projections, the present value of the unlevered free cash flows of the segment, after investment in the network, subscribers, etc., is attributable to the wireless FCC licenses. The terminal value of the segment, which incorporates an assumed sustainable growth rate, is also discounted and is likewise attributed to the licenses. We used a discount rate of 9.0%, based on the optimal long-term capital structure of a market participant and its associated cost of debt and equity, to calculate the present value of the projected cash flows. This discount rate is also consistent with rates we use to calculate the present value of the projected cash flows of licenses acquired from third parties.

If either the projected rate of long-term growth of cash flows or revenues declined by 1%, or if the discount rate increased by 1%, the fair values of the wireless FCC licenses, while less than currently projected, would still be higher than the book value of the licenses. The fair value of the licenses exceeded the book value by more than 25%.

We review customer relationships and other long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable over the remaining life of the asset or asset group. To determine that the asset is recoverable, we verify that the expected undiscounted future cash flows directly related to that asset exceed its book value.

We evaluate our investments to determine whether market declines are temporary and accordingly reflected in accumulated other comprehensive income, or other-than-temporary and recorded as an expense in other income (expense) in the consolidated income statements. This evaluation is based on the length of time and the severity of decline in the investment's value. In 2011 and 2010, we identified an other-than-temporary decline in the value of immaterial equity method investments and various cost investments.

**Income Taxes** Our estimates of income taxes and the significant items giving rise to the deferred assets and liabilities are shown in Note 10 and reflect our assessment of actual future taxes to be paid on items reflected in the financial statements, giving consideration to both timing and probability of these estimates. Actual income taxes could vary from these estimates due to future changes in income tax law or the final review of our tax returns by federal, state or foreign tax authorities.

We use our judgment to determine whether it is more likely than not that we will sustain positions that we have taken on tax returns and, if so, the amount of benefit to initially recognize within our financial statements. We regularly review our uncertain tax positions and adjust our unrecognized tax benefits (UTBs) in light of changes in facts and circumstances, such as changes in tax law, interactions with taxing authorities and developments in case law. These adjustments to our UTBs may affect our income tax expense. Settlement of uncertain tax positions may require use of our cash.

**New Accounting Standards**

See Note 1 for a discussion of recently issued or adopted accounting standards.

**OTHER BUSINESS MATTERS**

**Retiree Phone Concession Litigation** In May 2005, we were served with a purported class action in U.S. District Court, Western District of Texas ( Stoffels v. SBC Communications Inc. ), in which the plaintiffs, who are retirees of Pacific Bell Telephone Company, Southwestern Bell and Ameritech, contend that the cash reimbursement formerly paid to retirees living outside their company's local service area, for telephone service they purchased from another provider, is a "defined benefit plan" within the meaning of ERISA. In October 2006, the court certified two classes. In May 2008, the court ruled that the concession was an ERISA pension plan. In May 2009, we filed a motion for reconsideration with the trial court. That motion was granted in January 2011, and a final judgment was entered in our favor. Plaintiffs have appealed the judgment to the Fifth Circuit Court of Appeals. In June 2011, the Fifth Circuit Court of Appeals held that a similar cash reimbursement program currently offered to out-of-region retirees of BellSouth Corporation (BellSouth) is not a defined benefit plan. Plaintiffs in that case filed a petition in the United States Supreme Court for a writ of certiorari which the Supreme Court denied in December 2011. The Supreme Court's decision lends significant support to our belief that an adverse outcome having a material effect on our financial statements in this case is unlikely, but we will continue to evaluate the potential impact of this suit on our financial results as it progresses.

**NSA Litigation** Twenty-four lawsuits were filed alleging that we and other telecommunications carriers unlawfully provided assistance to the National Security Agency in connection with intelligence activities that were initiated following the events of September 11, 2001. In the first filed case, Hepting et al v. AT&T Corp., AT&T Inc. and Does 1-20 , a purported class action filed in U.S. District Court in the Northern District of California, plaintiffs alleged that the defendants disclosed and are currently disclosing to the U.S. Government content and call records concerning communications to which Plaintiffs were a party. Plaintiffs sought damages, a declaratory judgment and injunctive relief for violations of the First and Fourth Amendments to the U.S. Constitution, the Foreign Intelligence Surveillance Act (FISA), the Electronic Communications Privacy Act and other federal and California statutes. We filed a motion to dismiss the complaint. The United States asserted the "state secrets privilege" and related statutory privileges and also filed a motion asking the court to dismiss the complaint. The court denied the motions, and we and the United States appealed. In August 2008, the U.S. Court of Appeals for the Ninth Circuit remanded the case to the district court without deciding the issue in light of the passage of the FISA Amendments Act, a provision of which addresses the allegations in these pending lawsuits (immunity provision). The immunity provision requires the pending lawsuits to be dismissed if the Attorney General certifies to the court either that the alleged assistance was undertaken by court order, certification, directive or written request or that the telecom entity did not provide the alleged assistance. In September 2008, the Attorney General filed his certification and asked the district court to dismiss all of the lawsuits pending against the AT&T Inc. telecommunications companies. The court granted the Government's motion to dismiss and entered final judgments in July 2009. In addition, a lawsuit seeking to enjoin the immunity provision's application on grounds that it is unconstitutional was filed. In March 2009, we and the Government filed motions to dismiss this lawsuit. The court granted the motion to dismiss and entered final judgment in July 2009. All cases brought against the AT&T entities have been dismissed. In August 2009, plaintiffs in all cases filed an appeal with the Ninth Circuit Court of Appeals. On December 29, 2011, the Ninth Circuit Court of Appeals affirmed the dismissals in all cases. Management believes that any further appeal is without merit and intends to continue to defend these matters vigorously.

**Universal Service Fees Litigation** In October 2010, our wireless subsidiary was served with a purported class action in Circuit Court, Cole County, Missouri ( MBA Surety Agency, Inc. v. AT&T Mobility, LLC ), in which the plaintiffs contend that we violated the FCC's rules by collecting Universal Service Fees on certain services not subject to such fees, including Internet access service provided over wireless handsets commonly called "smartphones" and wireless data cards, as well as collecting certain other state and local fees. Plaintiffs define the class as all persons who from April 1, 2003, until the present had a contractual relationship with us for Internet access through a smartphone or a wireless data card. Plaintiffs seek an unspecified amount of damages as well as injunctive relief. We believe that an adverse outcome having a material effect on our financial statements in this case is unlikely.

**Wage and Hour Litigation** Two wage and hour cases were filed in federal court in December 2009 each asserting claims under the Fair Labor Standards Act ( Luque et al. v. AT&T Corp. et al. , U.S. District Court in the Northern District of California) ( Lawson et al. v. BellSouth Telecommunications, Inc. , U.S. District Court in the Northern District of Georgia). Luque also alleges violations of a California wage and hour law, which varies from the federal law. In each case, plaintiffs allege that certain groups of wireline supervisory managers were entitled to paid overtime and seek class action status as well as damages, attorneys' fees and/or penalties. Plaintiffs have been granted conditional collective action status for their federal claims and also are expected to seek class action status for their state law claims. We are contesting the collective and class action treatment of the claims, the merits of the claims and the method of calculating damages for the claims. A jury verdict recently was entered in favor of the Company in the U.S. District Court in Connecticut on similar FLSA claims. We believe that an adverse outcome in these cases having a material effect on our financial statements is unlikely.

**Qualcomm Spectrum Purchase** In December 2011, we completed our purchase of spectrum licenses in the Lower 700 MHz frequency band from Qualcomm Incorporated for approximately $1,925 in cash. The spectrum covers more than 300 million people total nationwide, including 12 MHz of Lower 700 MHz D and E block spectrum covering more than 70 million people in five of the top 15 metropolitan areas and 6 MHz of Lower 700 MHz D block spectrum covering more than 230 million people across the rest of the United States. We plan to deploy this spectrum as supplemental downlink capacity, using carrier aggregation technology once compatible handsets and network equipment are developed.

**T-Mobile** In March 2011, we agreed to acquire from Deutsche Telekom AG (Deutsche Telekom) all of the shares of T-Mobile for approximately $39,000, subject to certain adjustments. In December 2011, in light of opposition to the merger from the DOJ and FCC, we and Deutsche Telekom agreed to terminate the transaction. Pursuant to the purchase agreement, we paid a breakup fee of $3,000, entered into a broadband roaming agreement and, pursuant to required regulatory approvals, are in the process of transferring to Deutsche Telekom certain wireless spectrum. Termination of the purchase agreement also terminated our associated credit agreement with a group of banks, dated as of March 31, 2011, to partially fund the purchase.

**Tender of Telmex Shares** In August 2011, the Board of Directors of América Móvil approved a tender offer for the remaining outstanding shares of Telmex that were not already owned by América Móvil. The offer was for $10.50 Mexican pesos per share (payable in cash). The tender offer was launched in October 2011, and we tendered all of our shares for $1,197 of cash.

**Labor Contracts** As of January 31, 2012, we employed approximately 256,000 persons. Approximately 55% of our employees are represented by the Communications Workers of America, the International Brotherhood of Electrical Workers or other unions. Contracts covering approximately 120,000 employees will expire during 2012. For contracts covering approximately 80,000 (mainly wireline) employees, the union is entitled to call a work stoppage in the absence of a new contract being reached.

**Environmental** We are subject from time to time to judicial and administrative proceedings brought by various governmental authorities under federal, state or local environmental laws. Although we are required to reference in our Forms 10-Q and 10-K any of these proceedings that could result in monetary sanctions (exclusive of interest and costs) of one hundred thousand dollars or more, we do not believe that any of them currently pending will have a material adverse effect on our results of operations.

## LIQUIDITY AND CAPITAL RESOURCES

We had $3,185 in cash and cash equivalents available at December 31, 2011. Cash and cash equivalents included cash of $1,182 and money market funds and other cash equivalents of $2,003. Cash and cash equivalents increased $1,748 since December 31, 2010. During 2011, cash inflows were primarily provided by cash receipts from operations and cash received from our tender of Telmex shares. These inflows were largely offset by cash used to meet the needs of the business, including but not limited to, payment of operating expenses, funding capital expenditures, dividends to stockholders and the acquisition of wireless spectrum; a net reduction of debt, including our redemption of approximately $3,000 of bonds originally due in 2012; cash payments related to the abandoned T-Mobile acquisition; and a contribution to our pension plan. We discuss many of these factors in detail below.

**Cash Provided by or Used in Operating Activities**
During 2011, cash provided by operating activities was $34,648, compared to $34,993 in 2010. Our lower operating cash flows reflected the payment of $3,000 cash to Deutsche Telekom and a contribution to the pension plan of $1,000 partially offset by decreased tax payments of $3,506. Current-year operating cash was also positively affected by our decision to pay approximately $2,500 of retiree postretirement expenses from plan assets, as opposed to our prior-year election to pay these out of corporate funds.

During 2010, cash provided by operating activities was $34,993 compared to $34,405 in 2009. Our higher operating cash flow reflected decreased tax payments of $933. During 2010, our payments for current income taxes were lower than 2009 due to lower audit-related payments net of refunds. The timing of cash payments for income taxes is governed by the IRS and other taxing authorities and differs from the timing of recording tax expense.

**Cash Used in or Provided by Investing Activities**
During 2011, cash used in investing activities consisted primarily of:

- $20,110 in capital expenditures, excluding interest during construction.
- $162 in interest during construction.
- $1,925 purchase of Qualcomm spectrum licenses.
- $320 purchase of wireless partnership noncontrolling interest.

During 2011, cash provided by investing activities consisted primarily of:

- $1,197 from the tender of our Telmex shares.
- $62 from the sale of securities, net of investments.

Virtually all of our capital expenditures are spent on our wireless and wireline networks, our U-verse services and support systems for our communications services. Capital expenditures, excluding interest during construction, increased $580 from 2010 and were flat when including interest during construction. The Wireline segment, which includes U-verse services, represented 52% of the total capital expenditures, excluding interest during construction, and was flat in 2011. Capital spending in our Wireless segment, excluding capitalized interest during construction, represented 48% of our total spending and increased 6% in 2011. Wireless expenditures were primarily used for network capacity expansion, integration and upgrades to our High-Speed Downlink Packet Access network and the initial deployment of LTE equipment for our recent commercial launch.

We expect that our capital expenditures during 2012 will be approximately $20,000. This amount may change if the regulatory environment becomes more unfavorable for investment. We expect increases in our Wireless segment to be offset by declines in our Wireline segment. The amount of capital investment is influenced by demand for services and products, continued growth and regulatory considerations.

**Cash Used in or Provided by Financing Activities**
We paid dividends of $10,172 in 2011, $9,916 in 2010, and $9,670 in 2009, reflecting dividend rate increases. In December 2011, our Board of Directors approved a 2.3% increase in the quarterly dividend from $0.43 to $0.44 per share. This follows a 2.4% dividend increase approved by AT&T's Board in December 2010. Dividends declared by our Board of Directors totaled $1.73 per share in 2011, $1.69 per share in 2010, and $1.65 per share in 2009. Our dividend policy considers the expectations and requirements of stockholders, internal requirements of AT&T and long-term growth opportunities. It is our intent to provide the financial flexibility to allow our Board of Directors to consider dividend growth and to recommend an increase in dividends to be paid in future periods. All dividends remain subject to declaration by our Board of Directors.

During 2011, we issued debt with net proceeds of $7,936 from the following:

- April 2011 issuance of $1,750 of 2.95% global notes due 2016 and $1,250 of 4.45% global notes due 2021.
- August 2011 issuance of $1,500 of 2.40% global notes due 2016, $1,500 of 3.875% global notes due 2021, and $2,000 of 5.55% global notes due 2041.

Debt proceeds were used for general corporate purposes.

During 2011, debt repayments totaled $9,226 and consisted of:

- $4,543 in repayments of long-term debt with a weighted-average interest rate of 6.58%.
- $1,625 in repayments of commercial paper, net of issuances.
- $1,000 for the early redemption of the SBC Communications Inc. 5.875% global notes originally due on February 1, 2012.
- $2,000 for the early redemption of the New Cingular Wireless Services, Inc. 8.125% notes originally due on May 1, 2012.
- $31 in repayments of capitalized leases.
- $27 in repayments of short-term bank borrowings.

At December 31, 2011, we had $3,453 of debt maturing within one year, all of which was long-term debt maturities. Debt maturing within one year includes the following notes that may be put back to us by the holders:

- $1,000 of annual put reset securities issued by BellSouth that may be put back to us each April until maturity in 2021.
- An accreting zero-coupon note that may be redeemed each May until maturity in 2022. If the zero-coupon note (issued for principal of $500 in 2007) is held to maturity, the redemption amount will be $1,030.

On February 13, 2012, we issued $1,000 of 0.875% global notes due 2015, $1,000 of 1.60% global notes due 2017, and $1,000 of 3.00% global notes due 2022.

On January 13, 2012, we announced our intention to redeem $1,200 of outstanding 6.375% Senior Notes due February 15, 2056. The redemption date was February 15, 2012, and the redemption amount was 100% of the principal amount plus accrued interest.

In December 2010, our Board of Directors approved a program to repurchase up to 300 million shares (approximately 5%) of our common stock; the program does not have an expiration date. We started buying back stock under this program in January 2012.

We plan to fund our 2012 financing activities through a combination of cash from operations and debt issuances. The timing and mix of debt issuance will be guided by credit market conditions and interest rate trends. The emphasis of our financing activities will be the payment of dividends, subject to approval by our Board of Directors, share repurchases and the repayment of debt.

**Credit Facilities**

*T-Mobile Acquisition Financing* In December 2011, we and Deutsche Telekom agreed to terminate our agreement to purchase T-Mobile. The termination of the purchase agreement also terminated our $20,000 associated credit agreement with a group of banks, dated as of March 31, 2011, to partially fund the purchase.

*Other Credit Facilities* In December 2011, we amended and extended for an additional one-year term our existing $5,000, four-year revolving credit agreement (Four-Year Agreement) with a syndicate of banks. We also entered into a new $5,000, 364-day revolving credit agreement, with a syndicate of banks, to replace our expiring 364-day revolving credit agreement. In the event advances are made under either agreement, those advances would be used for general corporate purposes, which could include repayment of maturing commercial paper. Advances are not conditioned on the absence of a material adverse change. All advances must be repaid no later than the date on which lenders are no longer obligated to make any advances under each agreement. Under each agreement, we can terminate, in whole or in part, amounts committed by the lenders in excess of any outstanding advances; however, we cannot reinstate any such terminated commitments. At December 31, 2011, we had no advances outstanding under either agreement and were in compliance with all covenants under each agreement.

In January 2012, we provided notice to permanently reduce the outstanding commitments of the lenders under our 364-day revolving credit agreement from $5,000 to $3,000.

*The Four-Year Agreement*

The amendments to the Four-Year Agreement include, but are not limited to, (i) changing the interest rate charged for advances from a rate based on AT&T's credit default swap spread to a fixed spread; (ii) decreasing the amount payable as facilities fees, and (iii) at AT&T's option, adding subsidiaries as additional borrowers, with or without a guarantee provided by AT&T Inc., subject to conditions provided in the agreement. The terms of such guarantee are set forth in the agreement.

The obligations of the lenders under the Four-Year Agreement to provide advances will terminate on December 19, 2015, unless prior to that date either: (i) AT&T and, if applicable, a Co-Borrower, reduces to $0 the commitments of the lenders under the Agreement or (ii) certain events of default occur. The Agreement also provides that AT&T and lenders representing more than 50% of the facility amount may agree to extend their commitments under the Agreement for an additional one year beyond the December 19, 2015, termination date, under certain circumstances. We also can request the lenders to further increase their commitments (i.e., raise the available credit) up to an additional $2,000 provided no event of default has occurred.

Advances would bear interest, at AT&T's option, either:

- at a variable annual rate equal to the highest of: (1)(a) the base (or prime) rate of the bank affiliate of Citibank, N.A. which is serving as administrative agent under the Agreement, (b) 0.50% per annum above the Federal funds rate, and (c) the London interbank offered rate (LIBOR) applicable to U.S. Dollars for a period of one month plus 1.00%, plus (2) an applicable margin, as set forth in the Agreement (Applicable Margin); or
- at a rate equal to: (i) the LIBOR for a period of one, two, three or six months, as applicable, plus (ii) the Applicable Margin.

The Applicable Margin will equal 0.560% if our unsecured long-term debt is rated at least A+ by Standard & Poor's or Fitch, Inc. or A1 by Moody's Investors Service. The Applicable Margin will be 0.670% per annum if our unsecured long-term debt ratings are A or A2 and will be 0.900% per annum in the event our unsecured long-term debt ratings are A- and A3 (or below).

The Agreement continues to require us to maintain a debt-to-EBITDA (earnings before interest, income taxes, depreciation and amortization, and other modifications described in the Agreement) ratio of not more than 3-to-1, as of the last day of each fiscal quarter, for the four quarters then ended.

Defaults under the Agreement, which would permit the lenders to accelerate required repayment and which would increase the Applicable Margin by 2.00% per annum, include:

- We fail to pay principal or interest, or other amounts under the Agreement beyond any grace period.
- We fail to pay when due other debt of $400 or more that results in acceleration of that debt (commonly referred to as cross-acceleration) or a creditor commences enforcement proceedings within a specified period after a money judgment of $400 or more has become final.
- A person acquires beneficial ownership of more than 50% of AT&T common shares or more than a majority of AT&T's directors change in any 24-month period other than as elected by the remaining directors (commonly referred to as a change in control).
- Material breaches of representations or warranties in the agreement.
- We fail to comply with the negative pledge or debt-to-EBITDA ratio covenants under the Agreement.
- We fail to comply with other covenants under the Agreement for a specified period after notice.
- We fail to make certain minimum funding payments under ERISA.
- Our bankruptcy or insolvency.

*364-day Agreement*

The obligations of the lenders to provide advances will terminate on December 17, 2012, unless prior to that date either: (i) we reduce to $0 the commitments of the lenders, or (ii) certain events of default occur. We and lenders representing more than 50% of the facility amount may agree to extend their commitments for an additional 364-day period beyond the December 17, 2012, termination date, under certain circumstances. We also can convert all or part of outstanding advances under the 364-day Agreement into term loan(s) maturing no later than the first anniversary of the termination date, under certain circumstances.

Advances would bear interest, at our option, either:

- at a variable annual rate equal to (1) the highest of (a) the base (or prime) rate of a designated bank, (b) 0.50% per annum above the Federal funds rate, and (c) the LIBOR for a period of one month plus 1.00%, plus (2) an applicable margin as set forth in such agreement (Applicable Margin); or
- at a rate equal to: (i) LIBOR for a period of one, two, three or six months, as applicable, plus (ii) the Applicable Margin.

The Applicable Margin will equal 0.595% if our unsecured long-term debt is rated at least A+ by Standard & Poor's or Fitch, Inc. or A1 by Moody's Investors Service. The Applicable Margin will be 0.710% per annum if our unsecured long-term debt ratings are A or A2 and will be 0.950% per annum in the event our unsecured long-term debt ratings are A- and A3 (or below).

The 364-day Agreement contains a negative pledge covenant that is identical to the negative pledge in the Four-Year Agreement. In the event we elect to convert any outstanding advances to term loan(s), the debt-to-EBITDA financial ratio covenant described above also would apply while such term loan(s) were outstanding. The events of default described applicable to the Four-Year Agreement also apply to the 364-day Agreement.

**Other**

Our total capital consists of debt (long-term debt and debt maturing within one year) and stockholders' equity. Our capital structure does not include debt issued by América Móvil. At December 31, 2011, our debt ratio was 38.0%, compared to 37.1% at December 31, 2010, and 41.4% at December 31, 2009. The debt ratio is affected by the same factors that affect total capital, and reflects our recent debt issuances. Total capital decreased $7,567 in 2011 compared to an increase of $4,046 in 2010. The 2011 capital decrease was primarily due to a decrease in retained earnings of $6,339, which increased the debt ratio in 2011.

## CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

Current accounting standards require us to disclose our material obligations and commitments to making future payments under contracts, such as debt and lease agreements, and under contingent commitments, such as debt guarantees. We occasionally enter into third-party debt guarantees, but they are not, nor are they reasonably likely to become, material. We disclose our contractual long-term debt repayment obligations in Note 8 and our operating lease payments in Note 5. Our contractual obligations do not include expected pension and postretirement payments as we maintain pension funds and Voluntary Employee Beneficiary Association trusts to fully or partially fund these benefits (see Note 11). In the ordinary course of business, we routinely enter into commercial commitments for various aspects of our operations, such as plant additions and office supplies. However, we do not believe that the commitments will have a material effect on our financial condition, results of operations or cash flows.

Our contractual obligations as of December 31, 2011, are in the following table. The purchase obligations that follow are those for which we have guaranteed funds and will be funded with cash provided by operations or through incremental borrowings. The minimum commitment for certain obligations is based on termination penalties that could be paid to exit the contract. Since termination penalties would not be paid every year, such penalties are excluded from the table. Other long-term liabilities were included in the table based on the year of required payment or an estimate of the year of payment. Such estimate of payment is based on a review of past trends for these items, as well as a forecast of future activities. Certain items were excluded from the following table, as the year of payment is unknown and could not be reliably estimated since past trends were not deemed to be an indicator of future payment.

Substantially all of our purchase obligations are in our Wireline and Wireless segments. The table does not include the fair value of our interest rate swaps. Our capital lease obligations and bank borrowings have been excluded from the table due to the immaterial amounts of such obligations at December 31, 2011. Many of our other noncurrent liabilities have been excluded from the following table due to the uncertainty of the timing of payments, combined with the absence of historical trending to be used as a predictor of such payments. Additionally, certain other long-term liabilities have been excluded since settlement of such liabilities will not require the use of cash. However, we have included in the following table obligations that primarily relate to benefit funding and severance due to the certainty of the timing of these future payments. Our other long-term liabilities are: deferred income taxes (see Note 10) of $25,748; postemployment benefit obligations of $34,011; and other noncurrent liabilities of $12,694, which included deferred lease revenue from our agreement with American Tower Corp. of $450 (see Note 14).

| | Payments Due By Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| Long-term debt obligations [1,2] | $ 64,613 | $ 3,453 | $ 10,612 | $ 9,437 | $ 41,111 |
| Interest payments on long-term debt [2] | 63,358 | 3,613 | 6,522 | 5,581 | 47,642 |
| Operating lease obligations | 23,242 | 2,462 | 4,780 | 4,215 | 11,785 |
| Unrecognized tax benefits [3] | 3,345 | 259 | - | - | 3,086 |
| Purchase obligations [4] | 10,709 | 3,845 | 4,339 | 2,185 | 340 |
| Total Contractual Obligations | $ 165,267 | $ 13,632 | $ 26,253 | $ 21,418 | $ 103,964 |

[1] Represents principal or payoff amounts of notes and debentures at maturity or, for putable debt, the next put opportunity.

[2] Long-term debt obligations and interest payments on long-term debt were not adjusted to reflect the January 13, 2012, notice to call $1,200 of debt, which was redeemed on February 15, 2012, with an original maturity of February 15, 2056.

[3] The noncurrent portion of the unrecognized tax benefits is included in the "More than 5 Years" column, as we cannot reasonably estimate the timing or amounts of additional cash payments, if any, at this time. See Note 10 for additional information.

[4] We calculated the minimum obligation for certain agreements to purchase goods or services based on termination fees that can be paid to exit the contract. If we elect to exit these contracts, termination fees for all such contracts in the year of termination could be approximately $611 in 2012, $423 in the aggregate for 2013 and 2014, $62 in the aggregate for 2015 and 2016, and $10 in the aggregate thereafter. Certain termination fees are excluded from the above table, as the fees would not be paid every year and the timing of such payments, if any, is uncertain.

## MARKET RISK

We are exposed to market risks primarily from changes in interest rates and foreign currency exchange rates. These risks, along with other business risks, impact our cost of capital. It is our policy to manage our debt structure and foreign exchange exposure in order to manage capital costs, control financial risks and maintain financial flexibility over the long term. In managing market risks, we employ derivatives according to documented policies and procedures, including interest rate swaps, interest rate locks, foreign currency exchange contracts and combined interest rate foreign currency contracts (cross-currency swaps). We do not use derivatives for trading or speculative purposes. We do not foresee significant changes in the strategies we use to manage market risk in the near future.

### Interest Rate Risk

The majority of our financial instruments are medium- and long-term fixed rate notes and debentures. Changes in interest rates can lead to significant fluctuations in the fair value of these instruments. The principal amounts by expected maturity, average interest rate and fair value of our liabilities that are exposed to interest rate risk are described in Notes 8 and 9. In managing interest expense, we control our mix of fixed and floating rate debt, principally through the use of interest rate swaps. We have established interest rate risk limits that we closely monitor by measuring interest rate sensitivities in our debt and interest rate derivatives portfolios.

All our foreign-denominated debt has been swapped from fixed-rate foreign currencies to fixed-rate U.S. dollars at issuance through cross-currency swaps, removing interest rate risk and foreign currency exchange risk associated with the underlying interest and principal payments. Likewise, periodically we enter into interest rate locks to partially hedge the risk of increases in the benchmark interest rate during the period leading up to the probable issuance of fixed-rate debt. We expect gains or losses in our cross-currency swaps and interest rate locks to offset the losses and gains in the financial instruments they hedge.

Following are our interest rate derivatives subject to material interest rate risk as of December 31, 2011. The interest rates illustrated below refer to the average rates we expect to pay based on current and implied forward rates and the average rates we expect to receive based on derivative contracts. The notional amount is the principal amount of the debt subject to the interest rate swap contracts. The fair value asset (liability) represents the amount we would receive (pay) if we had exited the contracts as of December 31, 2011.

| | Maturity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Thereafter | Total | Fair Value 12/31/11 |
| **Interest Rate Derivatives** | | | | | | | | |
| Interest Rate Swaps: | | | | | | | | |
| Receive Fixed/Pay | | | | | | | | |
| Variable Notional Amount Maturing | $ 1,800 | $ 3,000 | $ 1,500 | $ 1,500 | $ - | $ 1,000 | $ 8,800 | $ 521 |
| Weighted-Average Variable Rate Payable [1] | 2.3% | 2.5% | 2.0% | 2.6% | 3.6% | 4.1% | | |
| Weighted-Average Fixed Rate Receivable | 4.9% | 4.7% | 3.9% | 4.5% | 5.6% | 5.6% | | |

[1] Interest payable based on current and implied forward rates for One, Three, or Six Month LIBOR plus a spread ranging between approximately 4 and 388 basis points.

**Foreign Exchange Risk**

We are exposed to foreign currency exchange risk through our foreign affiliates and equity investments in foreign companies. We do not hedge foreign currency translation risk in the net assets and income we report from these sources. However, we do hedge a large portion of the exchange risk involved in anticipation of highly probable foreign currency-denominated transactions and cash flow streams, such as those related to issuing foreign-denominated debt, receiving dividends from foreign investments, and other receipts and disbursements.

Through cross-currency swaps, all our foreign-denominated debt has been swapped from fixed-rate foreign currencies to fixed-rate U.S. dollars at issuance, removing interest rate risk and foreign currency exchange risk associated with the underlying interest and principal payments. We expect gains or losses in our cross-currency swaps to offset the losses and gains in the financial instruments they hedge.

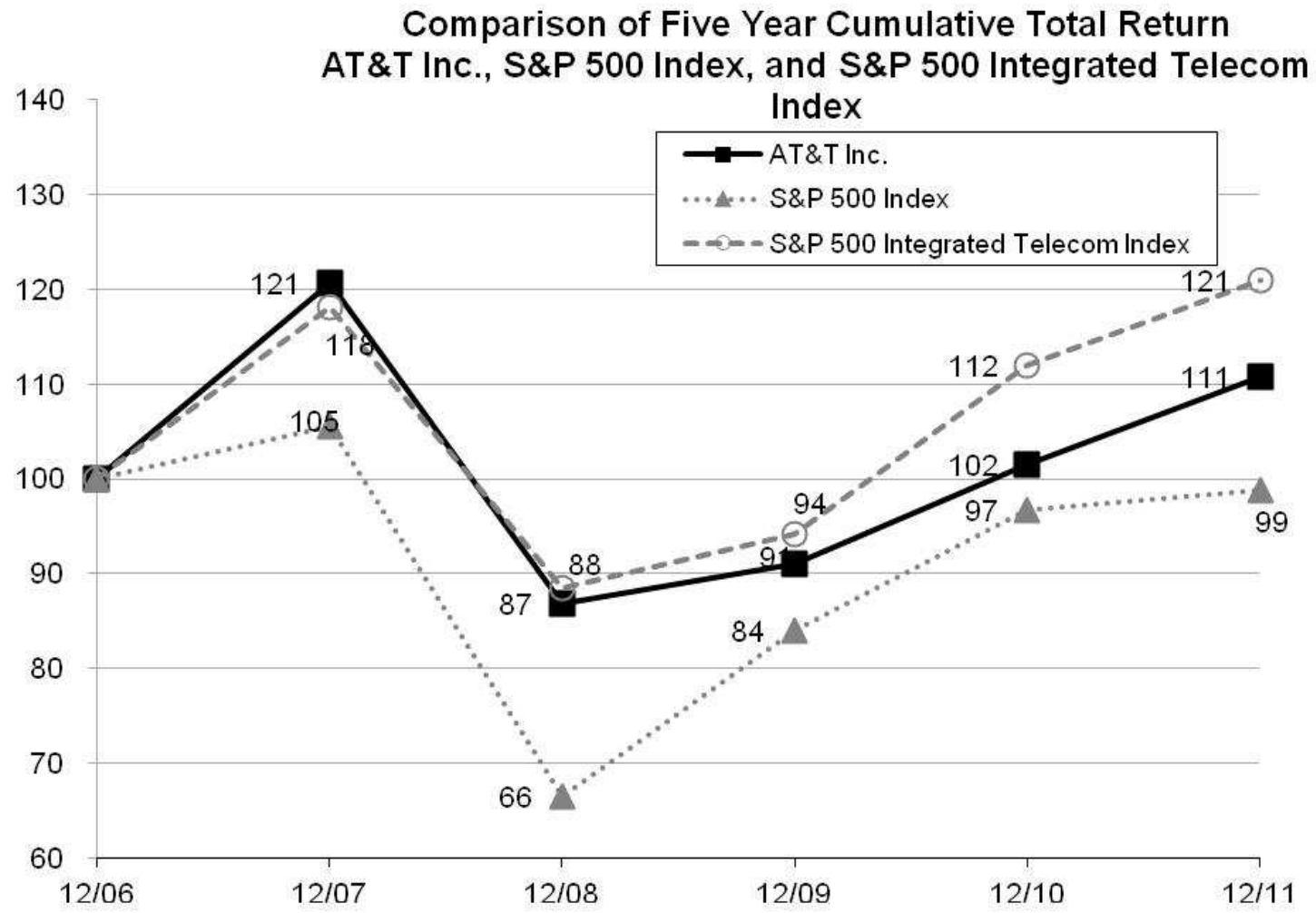
In anticipation of other foreign currency-denominated transactions, we often enter into foreign exchange forward contracts to provide currency at a fixed rate. Our policy is to measure the risk of adverse currency fluctuations by calculating the potential dollar losses resulting from changes in exchange rates that have a reasonable probability of occurring. We cover the exposure that results from changes that exceed acceptable amounts.

For the purpose of assessing specific risks, we use a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our financial instruments and results of operations. To perform the sensitivity analysis, we assess the risk of loss in fair values from the effect of a hypothetical 10% depreciation of the U.S. dollar against foreign currencies from the prevailing foreign currency exchange rates, assuming no change in interest rates. For foreign exchange forward contracts outstanding at December 31, 2011, the change in fair value was immaterial. Furthermore, because our foreign exchange contracts are entered into for hedging purposes, we believe that these losses would be largely offset by gains on the underlying transactions.

**Issuer Equity Repurchases**

On December 17, 2010, our Board of Directors authorized a new share repurchase plan of 300 million shares with no expiration date. This authorization represented approximately 5.0% of AT&T's shares outstanding at December 31, 2011. During 2010 and 2011, we did not repurchase any shares under this plan. In January 2012, we started to repurchase a portion of the shares pursuant to plans that comply with the requirements of Rule 10b5-1(c) under the Securities Exchange Act of 1934. We will fund any share repurchases through a combination of cash from operations, borrowings dependent on market conditions, or cash from the disposition of certain non-strategic investments.

**STOCK PERFORMANCE GRAPH**




The comparison above assumes $100 invested on December 31, 2006, in AT&T common stock, Standard & Poor's 500 Index (S&P 500), and Standard & Poor's 500 Integrated Telecom Index (S&P 500 Integrated Telecom). Total return equals stock price appreciation plus reinvestment of dividends.

## RISK FACTORS

In addition to the other information set forth in this document, including the matters contained under the caption "Cautionary Language Concerning Forward-Looking Statements," you should carefully read the matters described below. We believe that each of these matters could materially affect our business. We recognize that most of these factors are beyond our ability to control and therefore we cannot predict an outcome. Accordingly, we have organized them by first addressing general factors, then industry factors and, finally, items specifically applicable to us.

**A worsening U.S. economy would magnify our customers' and suppliers' current financial difficulties and could materially adversely affect our business.**

We provide services and products to consumers and large and small businesses in the United States and to larger businesses throughout the world. Current economic conditions in the United States have adversely affected our customers' demand for and ability to pay for existing services, especially local landline service, and their interest in purchasing new services. Our suppliers are also facing higher financing and operating costs. Should these current economic conditions worsen, we likely would experience both a decrease in revenues and an increase in certain expenses, including expenses relating to bad debt and equipment and software maintenance. We also may incur difficulties locating financially stable equipment and other suppliers, thereby affecting our ability to offer attractive new services. We are also likely to experience greater pressure on pricing and margins as we continue to compete for customers who would have even less discretionary income. While our largest business customers have been less affected by these adverse changes in the U.S. economy, if the continued adverse economic conditions in the United States, Europe and other foreign markets persist or worsen, those customers would likely be affected in a similar manner.

**Adverse changes in medical costs and the U.S. securities markets and interest rates could materially increase our benefit plan costs.**

Our annual pension and postretirement costs are subject to increases, primarily due to continuing increases in medical and prescription drug costs, and can be affected by lower returns on funds held by our pension and other benefit plans, which are reflected in our financial statements for that year. Investment returns on these funds depend largely on trends in the U.S. securities markets and the U.S. economy. It is also unclear how many provisions of the new national healthcare law will apply to us since many regulations implementing the law have not been finalized. In addition, there have been third-party challenges to the constitutionality of the new national healthcare law that, if sustained, could have an impact on our accounting for related costs. In calculating the annual costs included on our financial statements of providing benefits under our plans, we have made certain assumptions regarding future investment returns, medical costs and interest rates. If actual investment returns, medical costs and interest rates are worse than those previously assumed, our annual costs will increase.

The Financial Accounting Standards Board (FASB) requires companies to recognize the funded status of defined benefit pension and postretirement plans as an asset or liability in our statement of financial position and to recognize changes in that funded status in the year in which the changes occur. We have elected to reflect the annual adjustments to the funded status in our consolidated statement of income. Therefore, an increase in our costs or adverse market conditions will have a negative effect on our operating results.

**The ongoing uncertainty in global financial markets could materially adversely affect our ability and our larger customers' ability to access capital needed to fund business operations.**

The continuing instability in the global financial markets has resulted in periodic volatility in the credit, currency, equity and fixed income markets. Volatility has limited, in some cases severely, companies' access to the credit markets, leading to higher borrowing costs for companies or, in some cases, the inability of these companies to fund their ongoing operations. As a result, our larger customers, who tend to be heavy users of our data and wireless services, may be forced to delay or reduce or be unable to finance purchases of our products and services and may delay payment or default on outstanding bills to us. In addition, we contract with large financial institutions to support our own treasury operations, including contracts to hedge our exposure on interest rates and foreign exchange and the funding of credit lines and other short-term debt obligations, including commercial paper. These financial institutions also face new capital-related and other regulations in the United States and Europe, as well as ongoing legal and financial issues concerning their loan portfolios, which may hamper their ability to provide credit or raise the cost of providing such credit. While we have been successful in continuing to access the credit and fixed income markets when needed, a financial crisis could render us unable to access these markets, severely affecting our business operations.

**Changes in available technology could increase competition and our capital costs.**

The telecommunications industry has experienced rapid changes in the past several years. The development of wireless, cable and IP technologies has significantly increased the commercial viability of alternatives to traditional wireline telephone service and enhanced the capabilities of wireless networks. In order to remain competitive, we are deploying a more sophisticated wireline network and continue to deploy a more sophisticated wireless network, as well as research other new technologies. If the new technologies we have adopted or on which we have focused our research efforts fail to be cost-effective and accepted by customers, our ability to remain competitive could be materially adversely affected.

**Changes to federal, state and foreign government regulations and decisions in regulatory proceedings could materially adversely affect us.**

Our wireline subsidiaries are subject to significant federal and state regulation while many of our competitors are not. In addition, our subsidiaries and affiliates operating outside the United States are also subject to the jurisdiction of national and supranational regulatory authorities in the market where service is provided. Our wireless subsidiaries are regulated to varying degrees by the FCC and some state and local agencies. Adverse rulings by the FCC relating to broadband issues could impede our ability to manage our networks and recover costs and lessen incentives to invest in our networks. The development of new technologies, such as IP-based services, also has created or potentially could create conflicting regulation between the FCC and various state and local authorities, which may involve lengthy litigation to resolve and may result in outcomes unfavorable to us. In addition, increased public focus on potential global climate changes has led to proposals at state, federal and foreign government levels to increase regulation on various types of emissions, including those generated by vehicles and by facilities consuming large amounts of electricity. We do not expect these proposals to have a material adverse impact on our operating results, and they could create increased demand for communications services as companies seek to reduce emissions.

**Continuing growth in our wireless services will depend on continuing access to adequate spectrum, deployment of new technology and offering attractive services to customers.**

The wireless industry is undergoing rapid and significant technological changes and a dramatic increase in usage, in particular demand for and usage of data and other non-voice services. We must continually invest in our wireless network in order to continually improve our wireless service to meet this increasing demand and remain competitive. Improvements in our service depend on many factors, including continued access to and deployment of adequate spectrum. We must maintain and expand our network capacity and coverage as well as the associated wireline network needed to transport voice and data between cell sites. Network service enhancements and product launches may not occur as scheduled or at the cost expected due to many factors, including delays in determining equipment and handset operating standards, supplier delays, increases in network equipment and handset component costs, regulatory permitting delays for tower sites or enhancements or labor-related delays. Deployment of new technology also may adversely affect the performance of the network for existing services. If the FCC does not fairly allocate sufficient spectrum to allow the wireless industry in general, and the Company in particular, to increase its capacity or if we cannot acquire needed spectrum or deploy the services customers desire on a timely basis without burdensome conditions or at adequate cost while maintaining network quality levels, then our ability to attract and retain customers, and therefore maintain and improve our operating margins, could be materially adversely affected.

**Increasing competition for wireless customers could adversely affect our operating results.**

We have multiple wireless competitors in each of our service areas and compete for customers based principally on service/device offerings, price, call quality, coverage area and customer service. In addition, we are facing growing competition from providers offering services using alternative wireless technologies and IP-based networks as well as traditional wireline networks. We expect market saturation to continue to cause the wireless industry's customer growth rate to moderate in comparison with historical growth rates, leading to increased competition for customers. We also expect that our customers' growing demand for data services will place constraints on our network capacity. This competition and our capacity issues will continue to put pressure on pricing and margins as companies compete for potential customers. Our ability to respond will depend, among other things, on continued improvement in network quality and customer service and effective marketing of attractive products and services, and cost management. These efforts will involve significant expenses and require strategic management decisions on, and timely implementation of, equipment choices, network deployment and management, and service offerings.

**Increasing costs in our wireline operations could adversely affect wireline operating margins.**

We expect our operating costs, including customer acquisition and retention costs will continue to put pressure on pricing, margins and customer retention levels. A number of our competitors that rely on alternative technologies (e.g., wireless, cable and VoIP) and business models (e.g., advertising-supported) are typically subject to less (or no) regulation than our wireline subsidiaries and therefore are able to operate with lower costs. These competitors also have cost advantages compared to us, due in part to a nonunionized workforce, lower employee benefits and fewer retirees (as most of the competitors are relatively new companies). Over time these cost disparities could require us to evaluate the strategic worth of various wireline operations. We believe our cost disadvantages could be offset by continuing to increase the efficiency of our operating systems and by improving employee training and productivity; however, there can be no guarantee that our efforts in these areas will be successful.

**Equipment failures, natural disasters, computer hacking and terrorist attacks may materially adversely affect our operations** .

Major equipment failures or natural disasters, including severe weather, computer hacking, terrorist acts or other breaches of network or IT security that affect our wireline and wireless networks, including telephone switching offices, microwave links, third-party owned local and long-distance networks on which we rely, our cell sites or other equipment, or our customer account support and information systems, could have a material adverse effect on our operations. While we have insurance coverage for some of these events, our inability to operate our wireline, wireless or customer-related support systems, even for a limited time period, may result in significant expenses, potential legal liability, a loss of customers or impair our ability to attract new customers, which could have a material adverse effect on our business, results of operations and financial condition.

**The continued success of our U-verse services initiative will depend on the development of attractive and profitable service offerings; the extent to which regulatory, franchise fees and build-out requirements apply to this initiative; and the availability and reliability of the various technologies required to provide such offerings.**

Telecommunications technology has shifted from the traditional circuit- and wire-based technology to IP-based technology. IP-based technology can transport voice and data, as well as video, from both wired and wireless networks. IP-based networks also potentially cost less to operate than traditional networks. Our competitors, many of which are newer companies, are deploying this IP-based technology. In order to continue to offer attractive and competitively priced services, we have deployed a new broadband network to offer IP-based voice, data and video services. Should regulatory requirements change, our deployment could be limited to only those geographical areas where regulation is not burdensome. In addition, should the delivery of services expected to be deployed on our network be delayed due to technological or regulatory constraints, performance of suppliers, or other reasons, or the cost of providing such services becomes higher than expected, customers may decide to purchase services from our competitors, which would adversely affect our revenues and margins, and such effects could be material.

**Unfavorable litigation or governmental investigation results could require us to pay significant amounts or lead to onerous operating procedures.**

We are subject to a number of lawsuits both in the United States and in foreign countries, including, at any particular time, claims relating to antitrust; patent infringement; wage and hour; personal injury; and our advertising, sales and billing and collection practices. We also spend substantial resources complying with various government standards, which may entail related investigations. As we deploy newer technologies, especially in the wireless area, we also face current and potential litigation relating to alleged adverse health effects on customers or employees who use such technologies including, for example, wireless handsets. We may incur significant expenses defending such suits or government charges and may be required to pay amounts or otherwise change our operations in ways that could materially adversely affect our operations or financial results.

**A majority of our workforce is represented by labor unions. Absent the successful negotiation of agreements scheduled to expire during 2012, we could experience lengthy work stoppages.**

A majority of our employees are represented by labor unions as of year-end 2011. Labor contracts covering many of the employees will expire during 2012. We experienced a work stoppage in 2004 when the contracts involving our wireline employees expired, and we may experience additional work stoppages in 2012. A work stoppage could adversely affect our business operations, including a loss of revenue and strained relationships with customers, and we cannot predict the length of any such strike. We cannot predict the new contract provisions or the impact of any new contract on our financial condition.

**CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS**

Information set forth in this report contains forward-looking statements that are subject to risks and uncertainties, and actual results could differ materially. Many of these factors are discussed in more detail in the "Risk Factors" section. We claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

The following factors could cause our future results to differ materially from those expressed in the forward-looking statements:

- Adverse economic and/or capital access changes in the markets served by us or in countries in which we have significant investments, including the impact on customer demand and our ability and our suppliers' ability to access financial markets at favorable rates.
- Changes in available technology and the effects of such changes, including product substitutions and deployment costs.
- Increases in our benefit plans' costs, including increases due to adverse changes in the U.S. and foreign securities markets, resulting in worse-than-assumed investment returns and discount rates and adverse medical cost trends and unfavorable healthcare legislation and regulations.
- The final outcome of FCC and other federal agency proceedings and reopenings of such proceedings and judicial reviews, if any, of such proceedings, including issues relating to access charges, universal service, broadband deployment, E911 services, competition, net neutrality, unbundled loop and transport elements, availability of new spectrum from the FCC on fair and balanced terms, wireless license awards and renewals and wireless services, including data roaming agreements.
- The final outcome of regulatory proceedings in the states in which we operate and reopenings of such proceedings and judicial reviews, if any, of such proceedings, including proceedings relating to Interconnection terms, access charges, universal service, unbundled network elements and resale and wholesale rates; broadband deployment including our U-verse services; net neutrality; performance measurement plans; service standards; and traffic compensation.
- Enactment of additional state, federal and/or foreign regulatory and tax laws and regulations pertaining to our subsidiaries and foreign investments, including laws and regulations that reduce our incentive to invest in our networks, resulting in lower revenue growth and/or higher operating costs.
- Our ability to absorb revenue losses caused by increasing competition, including offerings that use alternative technologies (e.g., cable, wireless and VoIP) and our ability to maintain capital expenditures.
- The extent of competition and the resulting pressure on customer and access line totals and wireline and wireless operating margins.
- Our ability to develop attractive and profitable product/service offerings to offset increasing competition in our wireless and wireline markets.
- The ability of our competitors to offer product/service offerings at lower prices due to lower cost structures and regulatory and legislative actions adverse to us, including state regulatory proceedings relating to unbundled network elements and nonregulation of comparable alternative technologies (e.g., VoIP).
- The development of attractive and profitable U-verse service offerings; the extent to which regulatory, franchise fees and build-out requirements apply to this initiative; and the availability, cost and/or reliability of the various technologies and/or content required to provide such offerings.
- Our continued ability to attract and offer a diverse portfolio of wireless devices, some on an exclusive basis.
- The availability and cost of additional wireless spectrum and regulations and conditions relating to spectrum use, licensing and technical standards and deployment and usage, including network management rules.
- Our ability to manage growth in wireless data services, including network quality and acquisition of adequate spectrum at reasonable costs and terms.
- The outcome of pending, threatened or potential litigation, including patent and product safety claims by or against third parties.
- The impact on our networks and business from major equipment failures; security breaches related to the network or customer information; our inability to obtain handsets, equipment/software or have handsets, equipment/software serviced in a timely and cost-effective manner from suppliers; or severe weather conditions, natural disasters, pandemics, energy shortages, wars or terrorist attacks.
- The issuance by the Financial Accounting Standards Board or other accounting oversight bodies of new accounting standards or changes to existing standards.
- The issuance by the Internal Revenue Service and/or state tax authorities of new tax regulations or changes to existing standards and actions by federal, state or local tax agencies and judicial authorities with respect to applying applicable tax laws and regulations and the resolution of disputes with any taxing jurisdictions.
- Our ability to adequately fund our wireless operations, including payment for additional spectrum network upgrades and technological advancements.
- Changes in our corporate strategies, such as changing network requirements or acquisitions and dispositions, which may require significant amounts of cash or stock, to respond to competition and regulatory, legislative and technological developments.

Readers are cautioned that other factors discussed in this report, although not enumerated here, also could materially affect our future earnings.

**AT&T Inc.**
**Consolidated Statements of Income**
Dollars in millions except per share amounts

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| ***Operating Revenues*** | | | |
| Wireless service | **$ 56,726** | $ 53,510 | $ 48,563 |
| Data | **29,606** | 27,555 | 25,644 |
| Voice | **25,131** | 28,332 | 32,345 |
| Directory | **3,293** | 3,935 | 4,724 |
| Other | **11,967** | 10,948 | 11,237 |
| Total operating revenues | **126,723** | 124,280 | 122,513 |
| | | | |
| ***Operating Expenses*** | | | |
| Cost of services and sales (exclusive of depreciation and amortization shown separately below) | **57,374** | 52,379 | 50,639 |
| Selling, general and administrative | **38,844** | 32,864 | 31,359 |
| Impairment of intangible assets | **2,910** | 85 | - |
| Depreciation and amortization | **18,377** | 19,379 | 19,515 |
| Total operating expenses | **117,505** | 104,707 | 101,513 |
| **Operating Income** | **9,218** | 19,573 | 21,000 |
| | | | |
| ***Other Income (Expense)*** | | | |
| Interest expense | **(3,535)** | (2,994) | (3,368) |
| Equity in net income of affiliates | **784** | 762 | 734 |
| Other income (expense) – net | **249** | 897 | 152 |
| Total other income (expense) | **(2,502)** | (1,335) | (2,482) |
| **Income from Continuing Operations Before Income Taxes** | **6,716** | 18,238 | 18,518 |
| Income tax (benefit) expense | **2,532** | (1,162) | 6,091 |
| **Income from Continuing Operations** | **4,184** | 19,400 | 12,427 |
| **Income from Discontinued Operations, net of tax** | **-** | 779 | 20 |
| **Net Income** | **4,184** | 20,179 | 12,447 |
| **Less: Net Income Attributable to Noncontrolling Interest** | **(240)** | (315) | (309) |
| **Net Income Attributable to AT&T** | **$ 3,944** | $ 19,864 | $ 12,138 |
| | | | |
| Basic Earnings Per Share from Continuing Operations Attributable to AT&T | **$ 0.66** | $ 3.23 | $ 2.06 |
| Basic Earnings Per Share from Discontinued Operations Attributable to AT&T | **-** | 0.13 | - |
| **Basic Earnings Per Share Attributable to AT&T** | **$ 0.66** | $ 3.36 | $ 2.06 |
| | | | |
| Diluted Earnings Per Share from Continuing Operations Attributable to AT&T | **$ 0.66** | $ 3.22 | $ 2.05 |
| Diluted Earnings Per Share from Discontinued Operations Attributable to AT&T | **-** | 0.13 | - |
| **Diluted Earnings Per Share Attributable to AT&T** | **$ 0.66** | $ 3.35 | $ 2.05 |

The accompanying notes are an integral part of the consolidated financial statements.

**AT&T Inc.**
**Consolidated Balance Sheets**
Dollars in millions except per share amounts

| | December 31, 2011 | 2010 |
|---|---|---|
| ***Assets*** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **$ 3,185** | $ 1,437 |
| Accounts receivable - net of allowances for doubtful accounts of $878 and $957 | **13,606** | 13,610 |
| Prepaid expenses | **1,155** | 1,458 |
| Deferred income taxes | **1,470** | 1,170 |
| Other current assets | **3,611** | 3,179 |
| Total current assets | **23,027** | 20,854 |
| **Property, Plant and Equipment – Net** | **107,087** | 103,196 |
| **Goodwill** | **70,842** | 73,601 |
| **Licenses** | **51,374** | 50,372 |
| **Customer Lists and Relationships – Net** | **2,757** | 4,708 |
| **Other Intangible Assets – Net** | **5,212** | 5,440 |
| **Investments in Equity Affiliates** | **3,718** | 4,515 |
| **Other Assets** | **6,327** | 6,705 |
| **Total Assets** | **$ 270,344** | $ 269,391 |
| ***Liabilities and Stockholders' Equity*** | | |
| **Current Liabilities** | | |
| Debt maturing within one year | **$ 3,453** | $ 7,196 |
| Accounts payable and accrued liabilities | **19,858** | 20,055 |
| Advanced billing and customer deposits | **3,872** | 4,086 |
| Accrued taxes | **1,003** | 975 |
| Dividends payable | **2,608** | 2,542 |
| Total current liabilities | **30,794** | 34,854 |
| **Long-Term Debt** | **61,300** | 58,971 |
| **Deferred Credits and Other Noncurrent Liabilities** | | |
| Deferred income taxes | **25,748** | 22,070 |
| Postemployment benefit obligation | **34,011** | 28,803 |
| Other noncurrent liabilities | **12,694** | 12,743 |
| Total deferred credits and other noncurrent liabilities | **72,453** | 63,616 |
| ***Stockholders' Equity*** | | |
| Common stock ($1 par value, 14,000,000,000 authorized at December 31, 2011 and 2010: issued 6,495,231,088 at December 31, 2011 and 2010) | **6,495** | 6,495 |
| Additional paid-in capital | **91,156** | 91,731 |
| Retained earnings | **25,453** | 31,792 |
| Treasury stock (568,719,202 at December 31, 2011 and 584,144,220 at December 31, 2010, at cost) | **(20,750)** | (21,083) |
| Accumulated other comprehensive income | **3,180** | 2,712 |
| Noncontrolling interest | **263** | 303 |
| Total stockholders' equity | **105,797** | 111,950 |
| **Total Liabilities and Stockholders' Equity** | **$ 270,344** | $ 269,391 |

The accompanying notes are an integral part of the consolidated financial statements.

**AT&T Inc.**
**Consolidated Statements of Cash Flows**
Dollars in millions

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| ***Operating Activities*** | | | |
| Net income | **$ 4,184** | $ 20,179 | $ 12,447 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | **18,377** | 19,379 | 19,515 |
| Undistributed earnings from investments in equity affiliates | **(623)** | (603) | (419) |
| Provision for uncollectible accounts | **1,136** | 1,334 | 1,762 |
| Deferred income tax expense (benefit) and noncurrent unrecognized tax benefits | **2,937** | (3,280) | 1,885 |
| Net gain from impairment and sale of investments | **(89)** | (802) | - |
| Impairment of intangible assets | **2,910** | 85 | - |
| Actuarial loss on pension and postretirement benefits | **6,280** | 2,521 | 215 |
| Income from discontinued operations | **-** | (779) | (20) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | **(1,133)** | (99) | (490) |
| Other current assets | **(428)** | (187) | (617) |
| Accounts payable and accrued liabilities | **(383)** | (1,508) | 943 |
| Retirement benefit funding | **(1,000)** | - | - |
| Other – net | **2,480** | (1,247) | (816) |
| Total adjustments | **30,464** | 14,814 | 21,958 |
| **Net Cash Provided by Operating Activities** | **34,648** | 34,993 | 34,405 |
| | | | |
| ***Investing Activities*** | | | |
| Construction and capital expenditures: | | | |
| Capital expenditures | **(20,110)** | (19,530) | (16,554) |
| Interest during construction | **(162)** | (772) | (740) |
| Acquisitions, net of cash acquired | **(2,368)** | (2,906) | (983) |
| Dispositions | **1,301** | 1,830 | 287 |
| (Purchases) and sales of securities, net | **62** | (100) | 55 |
| Other | **27** | 29 | 52 |
| **Net Cash Used in Investing Activities** | **(21,250)** | (21,449) | (17,883) |
| | | | |
| ***Financing Activities*** | | | |
| Net change in short-term borrowings with original maturities of three months or less | **(1,625)** | 1,592 | (3,910) |
| Issuance of long-term debt | **7,936** | 2,235 | 8,161 |
| Repayment of long-term debt | **(7,574)** | (9,294) | (8,652) |
| Issuance of treasury stock | **237** | 50 | 28 |
| Dividends paid | **(10,172)** | (9,916) | (9,670) |
| Other | **(452)** | (515) | (465) |
| **Net Cash Used in Financing Activities** | **(11,650)** | (15,848) | (14,508) |
| Net increase (decrease) in cash and cash equivalents | **1,748** | (2,304) | 2,014 |
| Cash and cash equivalents beginning of year | **1,437** | 3,741 | 1,727 |
| **Cash and Cash Equivalents End of Year** | **$ 3,185** | $ 1,437 | $ 3,741 |

The accompanying notes are an integral part of the consolidated financial statements.

**AT&T Inc.**
**Consolidated Statements of Changes in Stockholders' Equity**
Dollars and shares in millions except per share amounts

| | 2011 | | 2010 | | 2009 | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount |
| ***Common Stock*** | | | | | | |
| Balance at beginning of year | **6,495** | **$ 6,495** | 6,495 | $ 6,495 | 6,495 | $ 6,495 |
| Issuance of shares | - | - | - | - | - | - |
| Balance at end of year | **6,495** | **$ 6,495** | 6,495 | $ 6,495 | 6,495 | $ 6,495 |
| ***Additional Paid-In Capital*** | | | | | | |
| Balance at beginning of year | | **$ 91,731** | | $ 91,707 | | $ 91,728 |
| Issuance of treasury stock | | **132** | | 159 | | 29 |
| Share-based payments | | **(118)** | | (130) | | (50) |
| Share of equity method investee capital transactions | | **(290)** | | - | | - |
| Change related to acquisition of interests held by noncontrolling owners | | **(299)** | | (5) | | - |
| Balance at end of year | | **$ 91,156** | | $ 91,731 | | $ 91,707 |
| ***Retained Earnings*** | | | | | | |
| Balance at beginning of year | | **$ 31,792** | | $ 21,944 | | $ 19,566 |
| Net income attributable to AT&T ($0.66, $3.35 and $2.05 per diluted share) | | **3,944** | | 19,864 | | 12,138 |
| Dividends to stockholders ($1.73, $1.69 and $1.65 per share) | | **(10,244)** | | (9,985) | | (9,733) |
| Other | | **(39)** | | (31) | | (27) |
| Balance at end of year | | **$ 25,453** | | $ 31,792 | | $ 21,944 |
| ***Treasury Stock*** | | | | | | |
| Balance at beginning of year | **(584)** | **$ (21,083)** | (593) | $ (21,260) | (602) | $ (21,410) |
| Issuance of treasury stock | **16** | **333** | 9 | 177 | 9 | 150 |
| Balance at end of year | **(568)** | **$ (20,750)** | (584) | $ (21,083) | (593) | $ (21,260) |

The accompanying notes are an integral part of the consolidated financial statements.

**AT&T Inc.**
**Consolidated Statements of Changes in Stockholders' Equity (continued)**
Dollars and shares in millions except per share amounts

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| | **Amount** | Amount | Amount |
| ***Accumulated Other Comprehensive Income Attributable to AT&T, net of tax:*** | | | |
| Balance at beginning of year | **$ 2,712** | $ 2,678 | $ (418) |
| Foreign currency translation adjustments, net of taxes of $66, $146 and $70 | **123** | 271 | 147 |
| Net unrealized gains (losses) on available-for-sale securities: | | | |
| Unrealized gains (losses), net of taxes of $(21), $(12) and $84 | **(41)** | (22) | 176 |
| Less reclassification adjustment realized in net income, net of taxes of $(29), $7 and $23 | **(54)** | 14 | 48 |
| Net unrealized gains (losses) on cash flow hedges: | | | |
| Unrealized gains (losses), net of taxes of $(140), $(182) and $329 | **(256)** | (334) | 610 |
| Less reclassification adjustment realized in net income, net of taxes of $8, $7 and $8 | **15** | 12 | 15 |
| Defined benefit postretirement plans (see Note 11): | | | |
| Net prior service credit arising from period, net of taxes of $699, $298 and $1,383 | **1,140** | 487 | 2,257 |
| Amortization of net prior service credit, net of taxes of $(282), $(243) and $(96) | **(460)** | (396) | (156) |
| Other | **1** | 2 | (1) |
| Other comprehensive income attributable to AT&T | **468** | 34 | 3,096 |
| Balance at end of year | **$ 3,180** | $ 2,712 | $ 2,678 |
| | | | |
| **Noncontrolling Interest:** | | | |
| Balance at beginning of year | **$ 303** | $ 425 | $ 403 |
| Net income attributable to noncontrolling interest | **240** | 315 | 309 |
| Distributions | **(220)** | (278) | (286) |
| Acquisition of interests held by noncontrolling owners | **(59)** | (162) | - |
| Translation adjustments attributable to noncontrolling interest, net of taxes | **(1)** | 3 | (1) |
| Balance at end of year | **$ 263** | $ 303 | $ 425 |
| | | | |
| Total Stockholders' Equity at beginning of year | **$ 111,950** | $ 101,989 | $ 96,364 |
| Total Stockholders' Equity at end of year | **$ 105,797** | $ 111,950 | $ 101,989 |
| | | | |
| **Total Comprehensive Income, net of tax:** | | | |
| Net income attributable to AT&T | **$ 3,944** | $ 19,864 | $ 12,138 |
| Other comprehensive income attributable to AT&T per above | **468** | 34 | 3,096 |
| Comprehensive income attributable to AT&T | **$ 4,412** | $ 19,898 | $ 15,234 |
| | | | |
| Net income attributable to noncontrolling interest | **240** | 315 | 309 |
| Other comprehensive income (loss) attributable to noncontrolling interest per above | **(1)** | 3 | (1) |
| Comprehensive income attributable to noncontrolling interest | **$ 239** | $ 318 | $ 308 |
| Total comprehensive income | **$ 4,651** | $ 20,216 | $ 15,542 |

The accompanying notes are an integral part of the consolidated financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** Throughout this document, AT&T Inc. is referred to as "AT&T," "we" or the "Company." The consolidated financial statements include the accounts of the Company and our majority-owned subsidiaries and affiliates. Our subsidiaries and affiliates operate in the communications services industry both domestically and internationally, providing wireless and wireline communications services and equipment, managed networking, wholesale services, and advertising solutions.

All significant intercompany transactions are eliminated in the consolidation process. Investments in partnerships and less than majority-owned subsidiaries where we have significant influence are accounted for under the equity method. Earnings from certain foreign equity investments accounted for using the equity method are included for periods ended within up to one month of our year end (see Note 7).

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, including estimates of probable losses and expenses. Actual results could differ from those estimates. We have reclassified certain amounts in prior-period financial statements to conform to the current period's presentation. On the consolidated balance sheets, income taxes receivable has been reclassified from "Accrued taxes" to "Other current assets."

**New Accounting Standards** In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, "Presentation of Comprehensive Income," which will no longer allow the presentation of the components of other comprehensive income in the consolidated statements of changes in stockholders' equity or footnotes for interim reporting. For reporting periods beginning after December 31, 2011, ASU 2011-05 requires presentation of other comprehensive income in combination with, or directly following the consolidated statements of income. In December 2011, ASU 2011-05 was amended to delay the proposed identification of reclassification adjustments in the consolidated statements of income. We are currently evaluating the allowable disclosure alternatives under the new guidance.

**Employee Separations** We established obligations for expected termination benefits provided under existing plans to former or inactive employees after employment but before retirement. These benefits include severance payments, workers' compensation, disability, medical continuation coverage and other benefits. At December 31, 2011, we had severance accruals of $335 and at December 31, 2010, we had severance accruals of $848. The decline was primarily due to payments during the year.

**Income Taxes** We provide deferred income taxes for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the computed tax basis of those assets and liabilities. The tax basis of assets and liabilities is based on amounts that meet the recognition threshold and are measured in accordance with current standards. We provide valuation allowances against the deferred tax assets for which the realization is uncertain. We review these items regularly in light of changes in federal and state tax laws and changes in our business.

We report, on a net basis, taxes imposed by governmental authorities on revenue-producing transactions between us and our customers in our consolidated statements of income.

Certain reclassifications have been made to prior periods to conform with current reporting. On the consolidated balance sheet, income taxes receivable has been reclassified from "Accrued taxes" to "Other current assets."

**Cash and Cash Equivalents** Cash and cash equivalents include all highly-liquid investments with original maturities of three months or less. The carrying amounts approximate fair value. At December 31, 2011, we held $1,182 in cash and $2,003 in money market funds and other cash equivalents.

**Revenue Recognition** Revenues derived from wireless, local telephone, long distance, data and video services are recognized when services are provided. This is based upon either usage (e.g., minutes of traffic/bytes of data processed), period of time (e.g., monthly service fees) or other established fee schedules. Our wireless service revenues are billed either in advance, arrears or are prepaid.

We record an estimated revenue reduction for future adjustments to customer accounts, other than bad debt expense, at the time revenue is recognized based on historical experience. Service revenues also include billings to our customers for various regulatory fees imposed on us by governmental authorities. Cash incentives given to customers are recorded as a reduction of revenue. When required as part of providing service, revenues and associated expenses related to nonrefundable, upfront service activation and setup fees are deferred and recognized over the associated service contract period or customer life. Associated expenses are deferred only to the extent of such deferred revenue. For contracts that involve the bundling of services, revenue is allocated to the services based on their relative selling price, subject to the requirement that revenue recognized is limited to the amounts already received from the customer that are not contingent upon the delivery of additional products or services to the customer in the future. We record the sale of equipment to customers as gross revenue when we are the primary obligor in the arrangement, when title is passed and when the products are accepted by customers. For agreements involving the resale of third-party services in which we are not considered the primary obligor of the arrangement, we record the revenue net of the associated costs incurred. For contracts in which we provide customers with an indefeasible right to use network capacity, we recognize revenue ratably over the stated life of the agreement.

We recognize revenues and expenses related to publishing directories on the amortization method, which recognizes revenues and expenses ratably over the life of the directory title, typically 12 months.

**Traffic Compensation Expense** We use various estimates and assumptions to determine the amount of traffic compensation expenses recognized during any reporting period. Switched traffic compensation costs are accrued utilizing estimated rates and volumes by product, formulated from historical data and adjusted for known rate changes. Such estimates are adjusted monthly to reflect newly available information, such as rate changes and new contractual agreements. Bills reflecting actual incurred information are generally not received within three months subsequent to the end of the reporting period, at which point a final adjustment is made to the accrued switched traffic compensation expense. Dedicated traffic compensation costs are estimated based on the number of circuits and the average projected circuit costs.

**Allowance for Doubtful Accounts** We record an expense to maintain an allowance for doubtful accounts for estimated losses that result from the failure or inability of our customers to make required payments. When determining the allowance, we consider the probability of recoverability of accounts receivable based on past experience, taking into account current collection trends as well as general economic factors, including bankruptcy rates. Credit risks are assessed based on historical write-offs, net of recoveries, as well as an analysis of the aged accounts receivable balances with allowances generally increasing as the receivable ages. Accounts receivable may be fully reserved for when specific collection issues are known to exist, such as pending bankruptcy or catastrophes.

**Inventory** Inventories, which are included in “Other current assets” on our consolidated balance sheets, were $1,188 at December 31, 2011, and $1,303 at December 31, 2010. Wireless handsets and accessories, which are valued at the lower of cost or market (determined using current replacement cost) were $1,082 as of December 31, 2011, and $1,185 as of December 31, 2010. The remainder of our inventory includes new and reusable supplies and network equipment of our local telephone operations, which are stated principally at average original cost, or specific costs in the case of large individual items. Inventories of our other subsidiaries are stated at the lower of cost or market.

**Property, Plant and Equipment** Property, plant and equipment is stated at cost, except for assets acquired using acquisition accounting, which are initially recorded at fair value (see Note 2). The cost of additions and substantial improvements to property, plant and equipment is capitalized. The cost of maintenance and repairs of property, plant and equipment is charged to operating expenses. Property, plant and equipment costs are depreciated using straight-line methods over their estimated economic lives. Certain subsidiaries follow composite group depreciation methodology. Accordingly, when a portion of their depreciable property, plant and equipment is retired in the ordinary course of business, the gross book value is reclassified to accumulated depreciation, and no gain or loss is recognized on the disposition of this plant.

Property, plant and equipment is reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We recognize an impairment loss when the carrying amount of a long-lived asset is not recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset.

The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred if a reasonable estimate of fair value can be made. In periods subsequent to initial measurement, we recognize period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate. The increase in the carrying value of the associated long-lived asset is depreciated over the corresponding estimated economic life.

**Software Costs** It is our policy to capitalize certain costs incurred in connection with developing or obtaining internal-use software. Capitalized software costs are included in "Property, Plant and Equipment" on our consolidated balance sheets and are primarily amortized over a three-year period. In addition, there is certain network software that allows the equipment to provide the features and functions unique to the AT&T network, which we include in the cost of the equipment categories for financial reporting purposes.

**Business Combinations** We expense acquisition-related costs and restructuring costs upon incurring them.

**Goodwill and Other Intangible Assets** AT&T has four major classes of intangible assets: goodwill, Federal Communications Commission (FCC) licenses, other indefinite-lived intangible assets, made up predominately of the AT&T brand, and various other finite-lived intangible assets.

Goodwill represents the excess of consideration paid over the fair value of net assets acquired in business combinations. FCC licenses provide us with the exclusive right to utilize certain radio frequency spectrum to provide wireless communications services. While FCC licenses are issued for a fixed period of time (generally 10 years), renewals of FCC licenses have occurred routinely and at nominal cost. Moreover, we have determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of our FCC licenses. We acquired the rights to the AT&T and other brand names in previous acquisitions. We have the effective ability to retain these exclusive rights permanently at a nominal cost.

Goodwill, FCC licenses and other indefinite-lived intangible assets are not amortized but are tested at least annually for impairment. The testing is performed on the value as of October 1 each year, and is generally composed of comparing the book value of the assets to their fair value. Goodwill is tested by comparing the book value of each reporting unit, deemed to be our principal operating segments (Wireless, Wireline and Advertising Solutions), to the fair value of those reporting units calculated under a market multiple approach as well as a discounted cash flow approach. FCC licenses are tested for impairment on an aggregate basis, consistent with the management of the business on a national scope. We perform our test of the fair values of FCC licenses using a discounted cash flow model. Brand names are tested by comparing the book value to a fair value calculated using a discounted cash flow approach on a presumed royalty rate derived from the revenues related to the brand name. The fair value measurements used are considered Level 3 under the Fair Value and Disclosure framework (see Note 9).

Intangible assets that have finite useful lives are amortized over their useful lives, a weighted average of 8.3 years (7.9 years for customer lists and relationships and 11.2 years for other). Customer lists and relationships are amortized using primarily the sum-of-the-months-digits method of amortization over the expected period in which those relationships are expected to contribute to our future cash flows. The remaining finite-lived intangible assets are generally amortized using the straight-line method of amortization.

**Advertising Costs** We expense advertising costs for advertising products and services or for promoting our corporate image as we incur them (see Note 14).

**Foreign Currency Translation** We are exposed to foreign currency exchange risk through our foreign affiliates and equity investments in foreign companies. Our foreign subsidiaries and foreign investments generally report their earnings in their local currencies. We translate our share of their foreign assets and liabilities at exchange rates in effect at the balance sheet dates. We translate our share of their revenues and expenses using average rates during the year. The resulting foreign currency translation adjustments are recorded as a separate component of accumulated other comprehensive income (accumulated OCI) in the accompanying consolidated balance sheets. We do not hedge foreign currency translation risk in the net assets and income we report from these sources. However, we do hedge a large portion of the foreign currency exchange risk involved in anticipation of highly probable foreign currency-denominated transactions, which we explain further in our discussion of our methods of managing our foreign currency risk (see Note 9).

**Pension and Other Postretirement Benefits** See Note 11 for a comprehensive discussion of our pension and postretirement benefit expense, including a discussion of the actuarial assumptions and our policy for recognizing the associated gains and losses.

## NOTE 2. ACQUISITIONS, DISPOSITIONS AND OTHER ADJUSTMENTS

### Acquisitions

**Qualcomm Spectrum Purchase** In December 2011, we completed our purchase of spectrum licenses in the Lower 700 MHz frequency band from Qualcomm Incorporated (Qualcomm) for approximately $1,925 in cash. The spectrum covers more than 300 million people total nationwide, including 12 MHz of Lower 700 MHz D and E block spectrum covering more than 70 million people in five of the top 15 metropolitan areas and 6 MHz of Lower 700 MHz D block spectrum covering more than 230 million people across the rest of the United States. We plan to deploy this spectrum as supplemental downlink capacity, using carrier aggregation technology once compatible handsets and network equipment are developed.

**Purchase of Wireless Partnership Minority Interest** In July 2011, we completed the acquisition of Convergys Corporation's minority interests in the Cincinnati SMSA Limited Partnership and an associated cell tower holding company for approximately $320 in cash.

**Wireless Properties Transactions** In June 2010, we acquired certain wireless properties, including FCC licenses and network assets, from Verizon Wireless for $2,376 in cash. The assets primarily represent former Alltel Wireless assets and served approximately 1.6 million subscribers in 79 service areas across 18 states. The fair value of the acquired net assets of $1,439 included $368 of property, plant and equipment, $937 of goodwill, $765 of FCC licenses, and $224 of customer lists and other intangible assets.

**Centennial** In December 2010, we completed our acquisition accounting of Centennial Communications Corporation (Centennial), which included net assets of $1,518 in goodwill, $655 in FCC licenses, and $449 in customer lists and other intangible assets.

**Other Acquisitions** We acquired $33 of wireless spectrum in 2011 and $265 in 2010 from various companies, primarily in support of our ongoing network enhancement efforts. In 2010, we also acquired a home monitoring platform developer and other entities for $86 in cash.

### Dispositions

**Tender of Telmex Shares** In August 2011, the Board of Directors of América Móvil, S.A. de C.V. (América Móvil) approved a tender offer for the remaining outstanding shares of Télefonos de México, S.A. de C.V. (Telmex) that were not already owned by América Móvil. We tendered all of our shares of Telmex for $1,197 of cash. Telmex was accounted for as an equity method investment (see Note 7).

**Sale of Sterling Operations** In May 2010, we entered into an agreement to sell our Sterling Commerce Inc. (Sterling) subsidiary and changed our reporting for Sterling to discontinued operations. In August 2010, we completed the sale and received net proceeds of approximately $1,400.

During the second quarter of 2010, we accounted for Sterling as a discontinued operation. We determined that the cash inflows under the transition services agreement and our cash outflows under the enterprise license agreement will not constitute significant continuing involvement with Sterling's operations after the sale. We have reclassified Sterling's operating results, for all historic periods, to income from discontinued operations in the accompanying consolidated statements of income.

The following table includes Sterling's operating results, which are presented in the "Income From Discontinued Operations, net of tax" line item on the consolidated statements of income. Prior to the reclassification, these operating results were reported in our Other segment:

| | Aug. 27, 2010 | Dec. 31, 2009 |
|---|---|---|
| Operating revenues | $ 349 | $ 563 |
| Operating expenses | 327 | 523 |
| Operating income | 22 | 40 |
| Income before income taxes | 18 | 29 |
| Income tax expense | 8 | 9 |
| Income from discontinued operations during phase-out period | 10 | 20 |
| Gain on disposal of discontinued operations | 769 | - |
| Income from discontinued operations, net of tax | $ 779 | $ 20 |

**Centennial** In August 2010, we sold operations in eight service areas in Louisiana and Mississippi, as required by the Department of Justice (DOJ), for $273 in cash.

**Other Dispositions** In 2010, we also sold our domestic Japanese outsourcing services company for $109. In 2009, we sold a professional services business for $174 and eliminated $113 of goodwill.

**Other Adjustments**
**T-Mobile** In March 2011, we agreed to acquire from Deutsche Telekom AG (Deutsche Telekom) all shares of T-Mobile USA, Inc. (T-Mobile) for approximately $39,000, subject to certain adjustments. In December 2011, in light of opposition to the merger from the DOJ and FCC, we and Deutsche Telekom agreed to terminate the transaction. Pursuant to the purchase agreement, we paid a breakup fee of $3,000, entered into a broadband roaming agreement and, pursuant to regulatory approvals, will transfer certain wireless spectrum with a book value of $962. These agreement termination charges were included in "Selling, general and administrative" expenses in our Other segment. Termination of the purchase agreement also terminated our associated credit agreement with a group of banks, dated as of March 31, 2011, to partially fund the purchase.

During 2010, we recorded $78 in reductions of Dobson Communications Corporation and BellSouth Corporation (BellSouth) restructuring liabilities previously included in the purchase accounting for those deals, and we recorded an offsetting reduction of goodwill.

## NOTE 3. EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic earnings per share and diluted earnings per share for income from continuing operations for the years ended December 31, 2011, 2010 and 2009, are shown in the table below:

| Year Ended December 31, | **2011** | 2010 | 2009 |
|---|---|---|---|
| **Numerators** | | | |
| Numerator for basic earnings per share: | | | |
| Income from continuing operations | **$ 4,184** | $ 19,400 | $ 12,427 |
| Income attributable to noncontrolling interest | **(240)** | (315) | (309) |
| Income from continuing operations attributable to AT&T | **3,944** | 19,085 | 12,118 |
| Dilutive potential common shares: | | | |
| Other share-based payment | **11** | 11 | 10 |
| Numerator for diluted earnings per share | **$ 3,955** | $ 19,096 | $ 12,128 |
| **Denominators (000,000)** | | | |
| Denominator for basic earnings per share: | | | |
| Weighted-average number of common shares outstanding | **5,928** | 5,913 | 5,900 |
| Dilutive potential common shares: | | | |
| Stock options | **4** | 3 | 3 |
| Other share-based payment (in shares) | **18** | 22 | 21 |
| Denominator for diluted earnings per share | **5,950** | 5,938 | 5,924 |
| Basic earnings per share from continuing operations attributable to AT&T | **$ 0.66** | $ 3.23 | $ 2.06 |
| Basic earnings per share from discontinued operations attributable to AT&T | **-** | 0.13 | - |
| **Basic earnings per share attributable to AT&T** | **$ 0.66** | $ 3.36 | $ 2.06 |
| Diluted earnings per share from continuing operations attributable to AT&T | **$ 0.66** | $ 3.22 | $ 2.05 |
| Diluted earnings per share from discontinued operations attributable to AT&T | **-** | 0.13 | - |
| **Diluted earnings per share attributable to AT&T** | **$ 0.66** | $ 3.35 | $ 2.05 |

At December 31, 2011, 2010 and 2009, we had issued and outstanding options to purchase approximately 66 million, 130 million, and 178 million shares of AT&T common stock. The exercise prices of 40 million, 100 million, and 163 million shares in 2011, 2010, and 2009 were above the average market price of AT&T stock for the respective periods. Accordingly, we did not include these amounts in determining the dilutive potential common shares. At December 31, 2011, the exercise prices of 24 million vested stock options were below market price.

**NOTE 4. SEGMENT INFORMATION**

Our segments are strategic business units that offer different products and services over various technology platforms and are managed accordingly. We analyze our various operating segments based on segment income before income taxes. We make our capital allocations decisions based on our strategic direction of the business, needs of the network (wireless or wireline) providing services and other assets needed to provide emerging services to our customers. Actuarial gains and losses from pension and other postretirement benefits, interest expense and other income (expense) – net, are managed only on a total company basis and are, accordingly, reflected only in consolidated results. Therefore, these items are not included in the calculation of each segment's percentage of our total segment income. The customers and long-lived assets of our reportable segments are predominantly in the United States. We have four reportable segments: (1) Wireless, (2) Wireline, (3) Advertising Solutions and (4) Other.

The Wireless segment uses our nationwide network to provide consumer and business customers with wireless voice and advanced data communications services.

The Wireline segment uses our regional, national and global network to provide consumer and business customers with landline voice and data communications services, AT&T U-verse ® TV, high-speed broadband and voice services and managed networking to business customers. Additionally, we receive commissions on sales of satellite television services offered through our agency arrangements.

The Advertising Solutions segment includes our directory operations, which publish Yellow and White Pages directories and sell directory advertising and Internet-based advertising and local search. In 2011, we moved $1,927 of goodwill from the Advertising Solutions segment to the Wireline segment based on a change in how we managed the U - verse related advertising business (see Note 6).

The Other segment includes results from customer information services, our portion of the results from our international equity investments and all corporate and other operations. Also included in the Other segment are impacts of corporate-wide decisions for which the individual operating segments are not being evaluated, including interest cost and expected return on plan assets for our pension and postretirement benefit plans.

In the following tables, we show how our segment results are reconciled to our consolidated results reported. The Wireless, Wireline, Advertising Solutions and Other columns represent the segment results of each such operating segment. The Consolidations column adds in those line items that we manage on a consolidated basis only: actuarial gains and losses from pension and other postretirement benefits, interest expense and other income (expense) – net.

Segment Results, including a reconciliation to AT&T consolidated results, for 2011, 2010, and 2009 are as follows:

| At December 31, 2011 and for the year ended | Wireless | Wireline | Advertising Solutions | Other | Consolidations | Consolidated Results |
|---|---|---|---|---|---|---|
| Total segment operating revenues | **$ 63,212** | **$ 59,765** | **$ 3,293** | **$ 453** | **$ -** | **$ 126,723** |
| Operations and support expenses | **41,581** | **40,879** | **5,174** | **5,214** | **6,280** | **99,128** |
| Depreciation and amortization expenses | **6,324** | **11,615** | **386** | **52** | **-** | **18,377** |
| Total segment operating expenses | **47,905** | **52,494** | **5,560** | **5,266** | **6,280** | **117,505** |
| Segment operating income (loss) | **15,307** | **7,271** | **(2,267)** | **(4,813)** | **(6,280)** | **9,218** |
| Interest expense | **-** | **-** | **-** | **-** | **3,535** | **3,535** |
| Equity in net income (loss) of affiliates | **(29)** | **-** | **-** | **813** | **-** | **784** |
| Other income (expense) – net | **-** | **-** | **-** | **-** | **249** | **249** |
| Segment income (loss) before income taxes | **$ 15,278** | **$ 7,271** | **$ (2,267)** | **$ (4,000)** | **$ (9,566)** | **$ 6,716** |
| Segment assets | **$ 127,401** | **$ 135,563** | **$ 3,011** | **$ 10,432** | **$ (6,063)** | **$ 270,344** |
| Investments in equity method affiliates | **20** | **-** | **-** | **3,698** | **-** | **3,718** |
| Expenditures for additions to long-lived assets | **9,759** | **10,455** | **29** | **29** | **-** | **20,272** |

| At December 31, 2010 and for the year ended | Wireless | Wireline | Advertising Solutions | Other | Consolidations | Consolidated Results |
|---|---|---|---|---|---|---|
| Total segment operating revenues | $ 58,500 | $ 61,300 | $ 3,935 | $ 545 | $ - | $ 124,280 |
| Operations and support expenses | 36,746 | 41,096 | 2,583 | 2,382 | 2,521 | 85,328 |
| Depreciation and amortization expenses | 6,497 | 12,371 | 497 | 14 | - | 19,379 |
| Total segment operating expenses | 43,243 | 53,467 | 3,080 | 2,396 | 2,521 | 104,707 |
| Segment operating income (loss) | 15,257 | 7,833 | 855 | (1,851) | (2,521) | 19,573 |
| Interest expense | - | - | - | - | 2,994 | 2,994 |
| Equity in net income of affiliates | 9 | 11 | - | 742 | - | 762 |
| Other income (expense) – net | - | - | - | - | 897 | 897 |
| Segment income (loss) before income taxes | $ 15,266 | $ 7,844 | $ 855 | $ (1,109) | $ (4,618) | $ 18,238 |
| Segment assets | $ 122,016 | $ 134,900 | $ 8,369 | $ 9,113 | $ (5,007) | $ 269,391 |
| Investments in equity method affiliates | 14 | - | - | 4,501 | - | 4,515 |
| Expenditures for additions to long-lived assets | 9,171 | 11,071 | 29 | 31 | - | 20,302 |

| For the year ended December 31, 2009 | Wireless | Wireline | Advertising Solutions | Other | Consolidations | Consolidated Results |
|---|---|---|---|---|---|---|
| Total segment operating revenues | $ 53,504 | $ 63,621 | $ 4,724 | $ 664 | $ - | $ 122,513 |
| Operations and support expenses | 33,631 | 42,439 | 2,743 | 2,970 | 215 | 81,998 |
| Depreciation and amortization expenses | 6,043 | 12,743 | 650 | 79 | - | 19,515 |
| Total segment operating expenses | 39,674 | 55,182 | 3,393 | 3,049 | 215 | 101,513 |
| Segment operating income (loss) | 13,830 | 8,439 | 1,331 | (2,385) | (215) | 21,000 |
| Interest expense | - | - | - | - | 3,368 | 3,368 |
| Equity in net income of affiliates | 9 | 17 | - | 708 | - | 734 |
| Other income (expense) – net | - | - | - | - | 152 | 152 |
| Segment income (loss) before income taxes | $ 13,839 | $ 8,456 | $ 1,331 | $ (1,677) | $ (3,431) | $ 18,518 |

## NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows at December 31:

| | Lives (years) | **2011** | 2010 |
|---|---|---|---|
| Land | - | **$ 1,689** | $ 1,694 |
| Buildings and improvements | 10-45 | **28,054** | 25,979 |
| Central office equipment [1] | 3-10 | **83,824** | 79,607 |
| Cable, wiring and conduit | 10-50 | **78,431** | 75,732 |
| Other equipment | 5-20 | **53,104** | 46,622 |
| Software | 3-5 | **10,041** | 9,219 |
| Under construction | - | **5,136** | 4,980 |
| | | **260,279** | 243,833 |
| Accumulated depreciation and amortization | | **153,192** | 140,637 |
| Property, plant and equipment - net | | **$ 107,087** | $ 103,196 |

[1] Includes certain network software.

Our depreciation expense was $16,368 in 2011, $16,402 in 2010 and $15,849 in 2009. Depreciation expense included amortization of software totaling $2,243 in 2011, $2,515 in 2010 and $1,731 in 2009.

Certain facilities and equipment used in operations are leased under operating or capital leases. Rental expenses under operating leases were $3,610 for 2011, $3,060 for 2010, and $2,889 for 2009. At December 31, 2011, the future minimum rental payments under noncancelable operating leases for the years 2012 through 2016 were $2,462, $2,459, $2,321, $2,183, and $2,032, with $11,785 due thereafter. Certain real estate operating leases contain renewal options that may be exercised. Capital leases are not significant.

## NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amounts of goodwill, by segment (which is the same as the reporting unit for Wireless, Wireline and Advertising Solutions), for the years ended December 31, 2011 and 2010, were as follows:

| | Wireless | Wireline | Advertising Solutions | Other | Total |
|---|---|---|---|---|---|
| Balance as of January 1, 2010 | $ 35,037 | $ 31,608 | $ 5,731 | $ 406 | $ 72,782 |
| Goodwill acquired | 937 | - | - | 43 | 980 |
| Other | (219) | 62 | - | (4) | (161) |
| Balance as of December 31, 2010 | 35,755 | 31,670 | 5,731 | 445 | 73,601 |
| Goodwill acquired | 5 | - | - | - | 5 |
| Impairments | - | - | (2,745) | - | (2,745) |
| Other | (5) | 1,968 | (1,927) | (55) | (19) |
| **Balance as of December 31, 2011** | **$ 35,755** | **$ 33,638** | **$ 1,059** | **$ 390** | **$ 70,842** |

Goodwill acquisitions in 2010 related primarily to the acquisition of certain wireless properties from Verizon Wireless (see Note 2). In 2011, we recorded a $2,745 impairment in the Advertising Solutions segment, triggered by declining revenues in our directory business and the directory industry as a whole. Changes to goodwill during 2011 also included a $1,927 reclassification of goodwill from the Advertising Solutions segment to the Wireline segment to align certain advertising operations with our U-verse business, which operates the media platform for those advertising operations. Changes to goodwill during 2010 included adjustments totaling $(219) related to wireless business combinations and $62 due primarily to adjustments relating to a wireline business combination (see Note 2).

Our other intangible assets are summarized as follows:

| | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| **Other Intangible Assets** | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Amortized intangible assets: | | | | |
| Customer lists and relationships: | | | | |
| AT&T Mobility LLC | **$ 6,845** | **$ 5,906** | $ 6,987 | $ 5,240 |
| BellSouth | **9,205** | **7,686** | 9,215 | 6,807 |
| AT&T Corp. | **2,483** | **2,205** | 3,134 | 2,647 |
| Other | **350** | **329** | 350 | 284 |
| Subtotal | **18,883** | **16,126** | 19,686 | 14,978 |
| Other | **485** | **258** | 525 | 239 |
| Total | **$ 19,368** | **$ 16,384** | $ 20,211 | $ 15,217 |
| | | | | |
| Indefinite-lived intangible assets not subject to amortization: | | | | |
| Licenses | $ **51,374** | | $ 50,372 | |
| Trade names | **4,985** | | 5,154 | |
| Total | $ **56,359** | | $ 55,526 | |

Amortized intangible assets are definite-life assets, and as such, we record amortization expense based on a method that most appropriately reflects our expected cash flows from these assets. Amortization expense for definite-life intangible assets was $2,009 for the year ended December 31, 2011, $2,977 for the year ended December 31, 2010, and $3,666 for the year ended December 31, 2009. Amortization expense is estimated to be $1,335 in 2012, $744 in 2013, $347 in 2014, $217 in 2015, and $123 in 2016. In 2011, we wrote off approximately $1,130 in fully amortized intangible assets (primarily customer lists). We review other amortizing intangible assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable over the remaining life of the asset or asset group.

We review indefinite-lived intangible assets for impairment annually (see Note 1). Licenses include wireless FCC licenses of $51,358 at December 31, 2011 and $50,356 at December 31, 2010, that provide us with the exclusive right to utilize certain radio frequency spectrum to provide wireless communications services. In 2011, we completed our acquisition of spectrum from Qualcomm of $1,925, and recorded the intended transfer upon regulatory approval of $962 of spectrum licenses to Deutsche Telekom in conjunction with the termination of the T-Mobile merger agreement (see Note 2).

We recorded a $165 impairment in 2011 and an $85 impairment in 2010 for a trade name.

**NOTE 7. EQUITY METHOD INVESTMENTS**

Investments in partnerships, joint ventures and less than majority-owned subsidiaries in which we have significant influence are accounted for under the equity method.

Our investments in equity affiliates include primarily international investments. As of December 31, 2011, our investments in equity affiliates included a 9.39% interest in América Móvil, primarily a wireless provider in Mexico with telecommunications investments in the United States and Latin America. We are a member of a consortium that holds all of the class AA shares of América Móvil stock, representing voting control of the company. Another member of the consortium has the right to appoint a majority of the directors of América Móvil.

**Telmex Transaction** During 2011, the Board of Directors of América Móvil approved and completed a tender offer for the remaining outstanding shares of Telmex that were not already owned by América Móvil. In conjunction with the tender of our shares, we have recorded our portion of América Móvil's resulting equity adjustments.

**Telmex Internaciona** l On June 11, 2010, as part of a tender offer from América Móvil, we exchanged all our shares in Telmex Internacional, S.A.B. de C.V. (Telmex Internacional) for América Móvil L shares at the offered exchange rate of 0.373, which resulted in a pretax gain of $658. The exchange was accounted for at fair value. In addition, we paid $202 to purchase additional shares of América Móvil L shares to maintain our ownership percentage at a pretransaction level.

The following table is a reconciliation of our investments in equity affiliates as presented on our consolidated balance sheets:

| | | 2011 | | 2010 |
|---|---|---|---|---|
| Beginning of year | **$** | **4,515** | $ | 2,921 |
| Additional investments | | **35** | | 220 |
| Equity in net income of affiliates | | **784** | | 762 |
| Dividends received | | **(161)** | | (159) |
| Dispositions | | **(660)** | | (204) |
| Currency translation adjustments | | **(515)** | | 203 |
| América Móvil equity adjustments | | **(171)** | | - |
| Telmex Internacional exchange | | **-** | | 658 |
| Other adjustments | | **(109)** | | 114 |
| End of year | **$** | **3,718** | $ | 4,515 |

Undistributed earnings from equity affiliates were $5,760 and $5,137 at December 31, 2011 and 2010. The currency translation adjustment for 2011 and 2010 reflects the effect of exchange rate fluctuations on our investments in Telmex and América Móvil.

The fair value of our investment in América Móvil, based on the equivalent value of América Móvil L shares at December 31, 2011, was $8,185.

**NOTE 8. DEBT**

Long-term debt of AT&T and its subsidiaries, including interest rates and maturities, is summarized as follows at December 31:

| | | | 2011 | | 2010 |
|---|---|---|---|---|---|
| Notes and debentures | | | | | |
| Interest Rates | Maturities [1] | | | | |
| 0.35% – 2.99% | 2011 – 2016 | **$** | **5,500** | $ | 2,250 |
| 3.00% – 4.99% | 2011 – 2021 | | **8,659** | | 5,880 |
| 5.00% – 6.99% | 2011 – 2095 | | **41,390** | | 43,506 |
| 7.00% – 9.10% | 2011 – 2097 | | **8,471** | | 11,986 |
| Other | | | **3** | | 14 |
| Fair value of interest rate swaps recorded in debt | | | **445** | | 435 |
| | | | **64,468** | | 64,071 |
| Unamortized premium, net of discount | | | **46** | | 185 |
| Total notes and debentures | | | **64,514** | | 64,256 |
| Capitalized leases | | | **239** | | 259 |
| Total long-term debt, including current maturities | | | **64,753** | | 64,515 |
| Current maturities of long-term debt [2] | | | **(3,453)** | | (5,544) |
| Total long-term debt | | **$** | **61,300** | $ | 58,971 |

[1] Maturities assume putable debt is redeemed by the holders at the next opportunity.
[2] Current maturities of long-term debt does not include $1,200 of long-term debt, which was called on January 13, 2012, and redeemed on February 15, 2012.

Current maturities of long-term debt include debt that may be put back to us by the holders in 2012. We have $1,000 of annual put reset securities that may be put each April until maturity in 2021. If the holders do not require us to repurchase the securities, the interest rate will be reset based on current market conditions. Likewise, we have an accreting zero-coupon note that may be redeemed each May, until maturity in 2022. If the zero-coupon note (issued for principal of $500 in 2007) is held to maturity, the redemption amount will be $1,030.

Debt maturing within one year consisted of the following at December 31:

| | 2011 | 2010 |
|---|---|---|
| Current maturities of long-term debt [1] | **$ 3,453** | $ 5,544 |
| Commercial paper | **-** | 1,625 |
| Bank borrowings [2] | **-** | 27 |
| Total | **$ 3,453** | $ 7,196 |

[1] Current maturities of long-term debt does not include $1,200 of long-term debt, which was called on January 13, 2012, and redeemed on February 15, 2012.
[2] Outstanding balance of short-term credit facility of a foreign subsidiary.

During 2011, we issued debt with net proceeds of $7,936 from the following:

- April 2011 issuance of $1,750 of 2.95% global notes due 2016 and $1,250 of 4.45% global notes due 2021.
- August 2011 issuance of $1,500 of 2.40% global notes due 2016, $1,500 of 3.875% global notes due 2021, and $2,000 of 5.55% global notes due 2041.

Debt proceeds were used for general corporate purposes.

During 2011, debt repayments totaled $9,226 and consisted of:

- $4,543 in repayments of long-term debt with a weighted-average interest rate of 6.58%.
- $1,625 in repayments of commercial paper, net of issuances.
- $1,000 for the early redemption of the SBC Communications Inc. 5.875% global notes originally due on February 1, 2012.
- $2,000 for the early redemption of the New Cingular Wireless Services, Inc. 8.125% notes originally due on May 1, 2012.
- $31 in repayments of capitalized leases.
- $27 in repayments of short-term bank borrowings.

On February 13, 2012, we issued $1,000 of 0.875% global notes due 2015, $1,000 of 1.60% global notes due 2017, and $1,000 of 3.00% global notes due 2022.

As of December 31, 2011 and 2010, we were in compliance with all covenants and conditions of instruments governing our debt. Substantially all of our outstanding long-term debt is unsecured. Maturities of outstanding long-term notes and debentures, as of December 31, 2011, and the corresponding weighted-average interest rate scheduled for repayment are as follows:

| | 2012 | 2013 | 2014 | 2015 | 2016 | Thereafter |
|---|---|---|---|---|---|---|
| Debt repayments [1,2] | $ 3,453 | $ 5,824 | $ 4,788 | $ 4,514 | $ 4,923 | $ 41,111 |
| Weighted-average interest rate | 5.0% | 5.6% | 5.1% | 4.3% | 3.7% | 6.2% |

[1] Debt repayments assume putable debt is redeemed by the holders at the next opportunity.
[2] Long-term debt obligations and interest payments on long-term debt were not adjusted to reflect the January 13, 2012, notice to call $1,200 of debt, which was completed on February 15, 2012, with an original maturity of February 15, 2056.

**Credit Facilities**
*T-Mobile Acquisition Financing* In December 2011, we and Deutsche Telekom agreed to terminate our agreement to purchase T-Mobile. The termination of the purchase agreement also terminated our $20,000 associated credit agreement with a group of banks, dated as of March 31, 2011, to partially fund the purchase.

*Other Credit Facilities* In December 2011, we amended and extended for an additional one-year term our existing $5,000, four-year revolving credit agreement (Four-Year Agreement) with a syndicate of banks. We also entered into a new $5,000, 364-day revolving credit agreement, with a syndicate of banks, to replace our expiring 364-day revolving credit agreement. In the event advances are made under either agreement, those advances would be used for general corporate purposes, which could include repayment of maturing commercial paper. Advances are not conditioned on the absence of a material adverse change. All advances must be repaid no later than the date on which lenders are no longer obligated to make any advances under each agreement. Under each agreement, we can terminate, in whole or in part, amounts committed by the lenders in excess of any outstanding advances; however, we cannot reinstate any such terminated commitments. At December 31, 2011, we had no advances outstanding under either agreement and were in compliance with all covenants under each agreement.

In January 2012, we provided notice to permanently reduce the outstanding commitments of the lenders under our 364-day revolving credit agreement from $5,000 to $3,000.

*The Four-Year Agreement*
The amendments to the Four-Year Agreement include, but are not limited to, (i) changing the interest rate charged for advances from a rate based on AT&T's credit default swap spread to a fixed spread; (ii) decreasing the amount payable as facilities fees, and (iii) at AT&T's option, adding subsidiaries as additional borrowers, with or without a guarantee provided by AT&T Inc., subject to conditions provided in the agreement. The terms of such guarantee are set forth in the agreement.

The obligations of the lenders under the Four-Year Agreement to provide advances will terminate on December 19, 2015, unless prior to that date either: (i) AT&T and, if applicable, a Co-Borrower, reduces to $0 the commitments of the lenders under the Agreement or (ii) certain events of default occur. The Agreement also provides that AT&T and lenders representing more than 50% of the facility amount may agree to extend their commitments under the Agreement for an additional one year beyond the December 19, 2015, termination date, under certain circumstances. We also can request the lenders to further increase their commitments (i.e., raise the available credit) up to an additional $2,000 provided no event of default has occurred.

Advances would bear interest, at AT&T's option, either:
- at a variable annual rate equal to the highest of: (1)(a) the base (or prime) rate of the bank affiliate of Citibank, N.A. which is serving as administrative agent under the Agreement, (b) 0.50% per annum above the Federal funds rate, and (c) the London interbank offered rate (LIBOR) applicable to U.S. Dollars for a period of one month plus 1.00%, plus (2) an applicable margin, as set forth in the Agreement (Applicable Margin); or
- at a rate equal to: (i) the LIBOR for a period of one, two, three or six months, as applicable, plus (ii) the Applicable Margin.

The Applicable Margin will equal 0.560% if our unsecured long-term debt is rated at least A+ by Standard & Poor's or Fitch, Inc. or A1 by Moody's Investors Service. The Applicable Margin will be 0.670% per annum if our unsecured long-term debt ratings are A or A2 and will be 0.900% per annum in the event our unsecured long-term debt ratings are A- and A3 (or below).

The Agreement continues to require us to maintain a debt-to-EBITDA (earnings before interest, income taxes, depreciation and amortization, and other modifications described in the Agreement) ratio of not more than 3-to-1, as of the last day of each fiscal quarter, for the four quarters then ended.

Defaults under the Agreement, which would permit the lenders to accelerate required repayment and which would increase the Applicable Margin by 2.00% per annum, include:
- We fail to pay principal or interest, or other amounts under the Agreement beyond any grace period.
- We fail to pay when due other debt of $400 or more that results in acceleration of that debt (commonly referred to as cross-acceleration) or a creditor commences enforcement proceedings within a specified period after a money judgment of $400 or more has become final.
- A person acquires beneficial ownership of more than 50% of AT&T common shares or more than a majority of AT&T's directors change in any 24-month period other than as elected by the remaining directors (commonly referred to as a change in control).
- Material breaches of representations or warranties in the agreement.
- We fail to comply with the negative pledge or debt-to-EBITDA ratio covenants under the Agreement.
- We fail to comply with other covenants under the Agreement for a specified period after notice.
- We fail to make certain minimum funding payments under Employee Retirement Income Security Act of 1974, as amended (ERISA).
- Our bankruptcy or insolvency.

*364-day Agreement*
The obligations of the lenders to provide advances will terminate on December 17, 2012, unless prior to that date either: (i) we reduce to $0 the commitments of the lenders, or (ii) certain events of default occur. We and lenders representing more than 50% of the facility amount may agree to extend their commitments for an additional 364-day period beyond the December 17, 2012, termination date, under certain circumstances. We also can convert all or part of outstanding advances under the 364-day Agreement into term loan(s) maturing no later than the first anniversary of the termination date, under certain circumstances.

Advances would bear interest, at our option, either:

- at a variable annual rate equal to (1) the highest of (a) the base (or prime) rate of a designated bank, (b) 0.50% per annum above the Federal funds rate, and (c) the LIBOR for a period of one month plus 1.00%, plus (2) an applicable margin as set forth in such agreement (Applicable Margin); or
- at a rate equal to: (i) LIBOR for a period of one, two, three or six months, as applicable, plus (ii) the Applicable Margin.

The Applicable Margin will equal 0.595% if our unsecured long-term debt is rated at least A+ by Standard & Poor's or Fitch, Inc. or A1 by Moody's Investors Service. The Applicable Margin will be 0.710% per annum if our unsecured long-term debt ratings are A or A2 and will be 0.950% per annum in the event our unsecured long-term debt ratings are A- and A3 (or below).

The 364-day Agreement contains a negative pledge covenant that is identical to the negative pledge in the Four-Year Agreement. In the event we elect to convert any outstanding advances to term loan(s), the debt-to-EBITDA financial ratio covenant described above also would apply while such term loan(s) were outstanding. The events of default described applicable to the Four-Year Agreement also apply to the 364-day Agreement.

**NOTE 9. FAIR VALUE MEASUREMENTS AND DISCLOSURE**

The Fair Value Measurement and Disclosure framework provides a three-tiered fair value hierarchy that gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that we have the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

- Fair value is often based on developed models in which there are few, if any, external observations.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable value or reflective of future fair values. We believe our valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used since December 31, 2010.

**Long-Term Debt and Other Financial Instruments**
The carrying amounts and estimated fair values of our long-term debt, including current maturities and other financial instruments, are summarized as follows:

| | December 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| Notes and debentures | **$ 64,514** | **$ 73,738** | $ 64,256 | $ 69,313 |
| Commercial paper | **-** | **-** | 1,625 | 1,625 |
| Bank borrowings | **-** | **-** | 27 | 27 |
| Investment securities | **2,092** | **2,092** | 2,185 | 2,185 |

The fair values of our notes and debentures were estimated based on quoted market prices, where available. The carrying value of debt with an original maturity of less than one year approximates market value.

**Investment Securities**
Our investment securities consist of primarily available-for-sale instruments, which include equities, fixed income bonds and other securities. Substantially all the fair values of our available-for-sale securities were estimated based on quoted market prices. Investments in securities not traded on a national securities exchange are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Realized gains and losses on securities are included in "Other income (expense) – net" in the consolidated statements of income using the specific identification method. Unrealized gains and losses, net of tax, on available-for-sale securities are recorded in accumulated OCI. Unrealized losses that are considered other than temporary are recorded in "Other income (expense) – net" with the corresponding reduction to the carrying basis of the investment. Fixed income investments have maturities of $149 less than one year, $228 within one to three years, $103 within three to five years, and $82 for five or more years.

Our short-term investments, other short- and long-term held-to-maturity investments (including money market securities) and customer deposits are recorded at amortized cost, and the respective carrying amounts approximate fair values.

Our investment securities maturing within one year are recorded in "Other current assets," and instruments with maturities of more than one year are recorded in "Other Assets" on the consolidated balance sheets.

Following is the fair value leveling for available-for-sale securities and derivatives as of December 31, 2011, and December 31, 2010:

| | December 31, 2011 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Available-for-Sale Securities | | | | |
| Domestic equities | $ 947 | $ - | $ - | $ 947 |
| International equities | 495 | - | - | 495 |
| Fixed income bonds | - | 562 | - | 562 |
| Asset Derivatives [1] | | | | |
| Interest rate swaps | - | 521 | - | 521 |
| Cross-currency swaps | - | 144 | - | 144 |
| Foreign exchange contracts | - | 2 | - | 2 |
| Liability Derivatives [1] | | | | |
| Cross-currency swaps | - | (820) | - | (820) |
| Interest rate locks | - | (173) | - | (173) |
| Foreign exchange contracts | - | (9) | - | (9) |

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Available-for-Sale Securities | | | | |
| Domestic equities | $ 976 | $ - | $ - | $ 976 |
| International equities | 513 | - | - | 513 |
| Fixed income bonds | - | 639 | - | 639 |
| Asset Derivatives [1] | | | | |
| Interest rate swaps | - | 537 | - | 537 |
| Cross-currency swaps | - | 327 | - | 327 |
| Interest rate locks | - | 11 | - | 11 |
| Foreign exchange contracts | - | 6 | - | 6 |
| Liability Derivatives [1] | | | | |
| Cross-currency swaps | - | (675) | - | (675) |
| Interest rate locks | - | (187) | - | (187) |
| Foreign exchange contracts | - | (2) | - | (2) |

[1] Derivatives designated as hedging instruments are reflected as other assets, other liabilities and, for a portion of interest rate swaps, accounts receivable.

**Derivative Financial Instruments**
We employ derivatives to manage certain market risks, primarily interest rate risk and foreign currency exchange risk. This includes the use of interest rate swaps, interest rate locks, foreign exchange forward contracts and combined interest rate foreign exchange contracts (cross-currency swaps). We do not use derivatives for trading or speculative purposes. We record derivatives on our consolidated balance sheets at fair value that is derived from observable market data, including yield curves and foreign exchange rates (all of our derivatives are Level 2). Cash flows associated with derivative instruments are presented in the same category on the consolidated statements of cash flows as the item being hedged.

The majority of our derivatives are designated either as a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), or as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge).

*Fair Value Hedging* We designate our fixed-to-floating interest rate swaps as fair value hedges. The purpose of these swaps is to manage interest rate risk by managing our mix of fixed-rate and floating-rate debt. These swaps involve the receipt of fixed-rate amounts for floating interest rate payments over the life of the swaps without exchange of the underlying principal amount. Accrued and realized gains or losses from interest rate swaps impact interest expense on the consolidated statements of income. Unrealized gains on interest rate swaps are recorded at fair market value as assets, and unrealized losses on interest rate swaps are recorded at fair market value as liabilities. Changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed-rate notes payable they hedge due to changes in the designated benchmark interest rate and are recognized in interest expense. Gains or losses realized upon early termination of our fair value hedges are recognized in interest expense. In the years ended December 31, 2011, and December 31, 2010, no ineffectiveness was measured.

*Cash Flow Hedging* Unrealized gains on derivatives designated as cash flow hedges are recorded at fair value as assets, and unrealized losses on derivatives designated as cash flow hedges are recorded at fair value as liabilities, both for the period they are outstanding. For derivative instruments designated as cash flow hedges, the effective portion is reported as a component of accumulated OCI until reclassified into interest expense in the same period the hedged transaction affects earnings. The gain or loss on the ineffective portion is recognized as other income or expense in each period.

We designate our cross-currency swaps as cash flow hedges. We have entered into multiple cross-currency swaps to hedge our exposure to variability in expected future cash flows that are attributable to foreign currency risk generated from the issuance of our Euro and British pound sterling denominated debt. These agreements include initial and final exchanges of principal from fixed foreign denominations to fixed U.S. denominated amounts, to be exchanged at a specified rate, which was determined by the market spot rate upon issuance. They also include an interest rate swap of a fixed foreign-denominated rate to a fixed U.S. denominated interest rate. We evaluate the effectiveness of our cross-currency swaps each quarter. In the years ended December 31, 2011, and December 31, 2010, no ineffectiveness was measured.

Periodically, we enter into and designate interest rate locks to partially hedge the risk of changes in interest payments attributable to increases in the benchmark interest rate during the period leading up to the probable issuance of fixed-rate debt. We designate our interest rate locks as cash flow hedges. Gains and losses when we settle our interest rate locks are amortized into income over the life of the related debt, except where a material amount is deemed to be ineffective, which would be immediately reclassified to income. In the years ended December 31, 2011, and December 31, 2010, no ineffectiveness was measured. Over the next 12 months, we expect to reclassify $28 from accumulated OCI to interest expense due to the amortization of net losses on historical interest rate locks. Our unutilized interest rate locks carry mandatory early terminations, the latest occurring in April 2012. In April 2011, we utilized $2,600 notional value of interest rate locks related to our April 2011 debt issuance. In February 2012, we utilized $800 notional value of interest rate locks related to our February 2012 debt issuance (see Note 8). Over the next 12 months, we expect to reclassify an additional $15 from accumulated OCI to interest expense due to the amortization of net losses on the interest rate locks associated with this debt issuance.

We hedge a large portion of the exchange risk involved in anticipation of highly probable foreign currency-denominated transactions. In anticipation of these transactions, we often enter into foreign exchange contracts to provide currency at a fixed rate. Some of these instruments are designated as cash flow hedges while others remain nondesignated, largely based on size and duration. Gains and losses at the time we settle or take delivery on our designated foreign exchange contracts are amortized into income in the same period the hedged transaction affects earnings, except where an amount is deemed to be ineffective, which would be immediately reclassified to income. In the years ended December 31, 2011, and December 31, 2010, no ineffectiveness was measured.

*Collateral and Credit-Risk Contingency* We have entered into agreements with our derivative counterparties establishing collateral thresholds based on respective credit ratings and netting agreements. At December 31, 2011, we had posted collateral of $98 (a deposit asset) and had no held collateral (a receipt liability). Under the agreements, if our credit rating had been downgraded one rating level by Moody's Investors Service and Fitch, Inc. before the final collateral exchange in December, we would have been required to post additional collateral of $161. At December 31, 2010, we had posted collateral of $82 and held collateral of $26. We do not offset the fair value of collateral, whether the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable), against the fair value of the derivative instruments.

Following is the notional amount of our outstanding derivative positions at December 31:

| | | **2011** | | 2010 |
|---|---|---|---|---|
| Interest rate swaps | **$** | **8,800** | $ | 11,050 |
| Cross-currency swaps | | **7,502** | | 7,502 |
| Interest rate locks | | **800** | | 3,400 |
| Foreign exchange contracts | | **207** | | 221 |
| Total | **$** | **17,309** | $ | 22,173 |

Following is the related hedged items affecting our financial position and performance:

**Effect of Derivatives on the Consolidated Statements of Income**

| Fair Value Hedging Relationships | | | |
|---|---|---|---|
| For the years ended December 31, | **2011** | 2010 | 2009 |
| Interest rate swaps (Interest expense): | | | |
| Gain (Loss) on interest rate swaps | **$ 10** | $ 125 | $ (216) |
| Gain (Loss) on long-term debt | **(10)** | (125) | 216 |

In addition, the net swap settlements that accrued and settled in the year ended December 31 were also reported as reductions of interest expense.

| Cash Flow Hedging Relationships | | | |
|---|---|---|---|
| For the year ended December 31, | **2011** | 2010 | 2009 |
| Cross-currency swaps: | | | |
| Gain (Loss) recognized in accumulated OCI | **$ (219)** | $ (201) | $ 738 |
| | | | |
| Interest rate locks: | | | |
| Gain (Loss) recognized in accumulated OCI | **(167)** | (320) | 203 |
| Interest income (expense) reclassified from accumulated OCI into income | **(23)** | (19) | (23) |
| | | | |
| Foreign exchange contracts: | | | |
| Gain (Loss) recognized in accumulated OCI | **(10)** | 5 | (2) |

The balance of the unrealized derivative gain (loss) in accumulated OCI was $(421) at December 31, 2011, $(180) at December 31, 2010, and $142 at December 31, 2009.

**NOTE 10. INCOME TAXES**

Significant components of our deferred tax liabilities (assets) are as follows at December 31:

| | **2011** | 2010 |
|---|---|---|
| Depreciation and amortization | **$ 39,367** | $ 34,172 |
| Intangibles (nonamortizable) | **1,897** | 1,958 |
| Employee benefits | **(14,950)** | (13,612) |
| Net operating loss and other carryforwards | **(1,502)** | (1,552) |
| Other – net | **(1,451)** | (1,015) |
| Subtotal | **23,361** | 19,951 |
| Deferred tax assets valuation allowance | **917** | 949 |
| Net deferred tax liabilities | **$ 24,278** | $ 20,900 |
| | | |
| Net long-term deferred tax liabilities | **$ 25,748** | $ 22,070 |
| Less: Net current deferred tax assets | **(1,470)** | (1,170) |
| Net deferred tax liabilities | **$ 24,278** | $ 20,900 |

In March 2010, comprehensive healthcare reform legislation, which included a change in the tax treatment related to Medicare Part D subsidies, was enacted. We recorded a $995 charge to income tax expense in our consolidated statement of income during the first quarter of 2010 and increased our deferred income taxes liability balance to reflect the impact of this change.

In September 2010, we reached a settlement with the Internal Revenue Service (IRS) on tax basis calculations related to a 2008 restructuring of our wireless operations. The IRS settlement resolved the uncertainty regarding the amount and timing of amortization deductions related to certain of our wireless assets. We recorded an $8,300 reduction to income tax expense in our consolidated statement of income during the third quarter of 2010 and corresponding decreases of $6,760 to our net noncurrent deferred income tax liabilities and $1,540 to other net tax liabilities to reflect the tax benefits of the settlement. The IRS settlement resulted in a reduction to our unrecognized tax benefits (UTBs) for tax positions related to prior years of $1,057, which also reduced the total amount of UTBs that, if recognized, would impact the effective tax rate.

At December 31, 2011, we had combined net operating and capital loss carryforwards (tax effected) for federal income tax purposes of $114 and for state and foreign income tax purposes of $917, expiring through 2030. Additionally, we had federal credit carryforwards of $73 and state credit carryforwards of $398, expiring primarily through 2028.

We recognize a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion, or all, of a deferred tax asset will not be realized. Our valuation allowances at December 31, 2011 and 2010, relate primarily to state net operating loss carryforwards.

We recognize the financial statement effects of a tax return position when it is more likely than not, based on the technical merits, that the position will ultimately be sustained. For tax positions that meet this recognition threshold, we apply our judgment, taking into account applicable tax laws and our experience in managing tax audits and relevant GAAP, to determine the amount of tax benefits to recognize in our financial statements. For each position, the difference between the benefit realized on our tax return and the benefit reflected in our financial statements is recorded on our consolidated balance sheets as an UTB. We update our UTBs at each financial statement date to reflect the impacts of audit settlements and other resolution of audit issues, expiration of statutes of limitation, developments in tax law and ongoing discussions with taxing authorities. A reconciliation of the change in our UTB balance from January 1 to December 31 for 2011 and 2010 is as follows:

| **Federal, State and Foreign Tax** | **2011** | 2010 |
|---|---|---|
| Balance at beginning of year | **$ 4,360** | $ 5,969 |
| Increases for tax positions related to the current year | **217** | 324 |
| Increases for tax positions related to prior years | **848** | 562 |
| Decreases for tax positions related to prior years | **(1,066)** | (1,989) |
| Lapse of statute of limitations | **-** | (44) |
| Settlements | **182** | (462) |
| Balance at end of year | **4,541** | 4,360 |
| Accrued interest and penalties | **1,312** | 1,329 |
| Gross unrecognized income tax benefits | **5,853** | 5,689 |
| Less: Deferred federal and state income tax benefits | **(797)** | (817) |
| Less: Tax attributable to timing items included above | **(2,331)** | (2,073) |
| Total UTB that, if recognized, would impact the effective income tax rate as of the end of the year | **$ 2,725** | $ 2,799 |

Periodically we make deposits to taxing jurisdictions which reduce our UTB balance but are not included in the reconciliation above. The amount of deposits that reduced our UTB balance was $2,508 at December 31, 2011, and $2,548 at December 31, 2010.

We record interest and penalties related to federal, state and foreign UTBs in income tax expense. Accrued interest and penalties included in UTBs were $1,312 as of December 31, 2011, and $1,329 as of December 31, 2010. Interest and penalties included in our consolidated statements of income were $(65) for 2011, $(194) for 2010, and $(216) for 2009.

We file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. As a large taxpayer, our income tax returns are regularly audited by the IRS and other taxing authorities. The IRS has completed field examinations of our tax returns through 2005 and expects to complete the field examination of our 2006 through 2008 returns during 2012. All audit periods prior to 2000 are closed for federal purposes. We are engaged with the IRS Appeals Division in resolving issues related to our 2000 through 2005 returns; we are unable to estimate the impact the resolution of these issues may have on our UTBs. In October, the U.S. Supreme Court denied our request to review a lower court decision denying our refund suit regarding the tax treatment of Universal Service Fund receipts. The Supreme Court action had no impact on our financial statements.

The components of income tax (benefit) expense are as follows:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Federal: | | | |
| Current | **$ (420)** | $ 307 | $ 2,849 |
| Deferred – net | **2,555** | (2,105) | 2,149 |
| | **2,135** | (1,798) | 4,998 |
| State, local and foreign: | | | |
| Current | **23** | 141 | 1,193 |
| Deferred – net | **374** | 495 | (100) |
| | **397** | 636 | 1,093 |
| Total | **$ 2,532** | $ (1,162) | $ 6,091 |

A reconciliation of income tax expense (benefit) and the amount computed by applying the statutory federal income tax rate (35%) to income from continuing operations before income taxes is as follows:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Taxes computed at federal statutory rate | **$ 2,351** | $ 6,383 | $ 6,481 |
| Increases (decreases) in income taxes resulting from: | | | |
| State and local income taxes – net of federal income tax benefit | **210** | 441 | 554 |
| Goodwill Impairment | **961** | - | - |
| Healthcare Reform Legislation | **-** | 917 | - |
| IRS Settlement – 2008 Wireless Restructuring | - | (8,300) | - |
| Other – net | **(990)** | (603) | (944) |
| Total | **$ 2,532** | $ (1,162) | $ 6,091 |
| Effective Tax Rate | **37.7%** | (6.4) % | 32.9% |

**NOTE 11. PENSION AND POSTRETIREMENT BENEFITS**

**Pension Benefits and Postretirement Benefits**
Substantially all of our U.S. employees are covered by one of our noncontributory pension and death benefit plans. Our newly hired management employees participate in a cash balance pension program, while longer-service management employees participate in a pension program that has a traditional pension formula (i.e., a stated percentage of employees' adjusted career income) and a frozen cash balance, or a program that has a defined lump sum formula. Nonmanagement employees' pension benefits are generally calculated using one of two formulas: benefits are based on a flat dollar amount per year according to job classification or are calculated under a cash balance plan that is based on an initial cash balance amount and a negotiated annual pension band and interest credits. Most nonmanagement employees can elect to receive their pension benefits in either a lump sum payment or an annuity.

We also provide a variety of medical, dental and life insurance benefits to certain retired employees under various plans and accrue actuarially determined postretirement benefit costs as active employees earn these benefits.

Beginning in 2013, as a result of federal healthcare reform, we will begin contracting with a Medicare Part D plan on a group basis to provide prescription drug benefits to certain Medicare eligible retirees. This plan change resulted in the adoption of plan amendments during the fourth quarter of 2011, and will allow the Company to be eligible for greater Medicare Part D plan subsidies over time.

**Obligations and Funded Status**
For defined benefit pension plans, the benefit obligation is the "projected benefit obligation," the actuarial present value, as of our December 31 measurement date, of all benefits attributed by the pension benefit formula to employee service rendered to that date. The amount of benefit to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life of employees/survivors and average years of service rendered. It is measured based on assumptions concerning future interest rates and future employee compensation levels.

For postretirement benefit plans, the benefit obligation is the "accumulated postretirement benefit obligation," the actuarial present value as of a date of all future benefits attributed under the terms of the postretirement benefit plan to employee service rendered to the valuation date.

The following table presents this reconciliation and shows the change in the projected benefit obligation for the years ended December 31:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Benefit obligation at beginning of year | **$ 53,917** | $ 50,850 | **$ 36,638** | $ 36,225 |
| Service cost - benefits earned during the period | **1,186** | 1,075 | **362** | 348 |
| Interest cost on projected benefit obligation | **2,958** | 3,150 | **2,051** | 2,257 |
| Amendments | **-** | 2 | **(1,830)** | (742) |
| Actuarial loss | **2,972** | 4,224 | **478** | 1,046 |
| Special termination benefits | **27** | 101 | **4** | 7 |
| Benefits paid | **(4,950)** | (5,485) | **(2,750)** | (2,536) |
| Other | - | - | - | 33 |
| Benefit obligation at end of year | **$ 56,110** | $ 53,917 | **$ 34,953** | $ 36,638 |

The following table presents the change in the value of plan assets for the years ended December 31 and the plans' funded status at December 31:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Fair value of plan assets at beginning of year | **$ 47,621** | $ 46,873 | **$ 12,747** | $ 11,513 |
| Actual return on plan assets | **2,238** | 6,230 | **(224)** | 1,472 |
| Benefits paid [1] | **(4,950)** | (5,485) | **(2,633)** | (244) |
| Contributions | **1,000** | - | **-** | - |
| Other | **(2)** | 3 | **-** | 6 |
| Fair value of plan assets at end of year | **45,907** | 47,621 | **9,890** | 12,747 |
| Unfunded status at end of year [2] | **$ (10,203)** | $ (6,296) | **$ (25,063)** | $ (23,891) |

[1] At our discretion, certain postretirement benefits may be paid from AT&T cash accounts, which does not reduce Voluntary Employee Beneficiary Association (VEBA) assets. Future benefit payments may be made from VEBA trusts and thus reduce those asset balances.
[2] Funded status is not indicative of our ability to pay ongoing pension benefits or of our obligation to fund retirement trusts. Required pension funding is determined in accordance with ERISA regulations.

Amounts recognized on our consolidated balance sheets at December 31 are listed below:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Current portion of employee benefit obligation [1] | **$ -** | $ - | **$ (2,288)** | $ (2,394) |
| Employee benefit obligation [2] | **(10,203)** | (6,296) | **(22,775)** | (21,497) |
| Net amount recognized | **$ (10,203)** | $ (6,296) | **$ (25,063)** | $ (23,891) |

[1] Included in "Accounts payable and accrued liabilities."
[2] Included in "Postemployment benefit obligation."

Prior service credits included in our accumulated OCI that have not yet been recognized in net periodic benefit cost were $149 for pension and $5,896 for postretirement benefits at December 31, 2011, and $164 for pension and $4,760 for postretirement benefits at December 31, 2010.

The accumulated benefit obligation for our pension plans represents the actuarial present value of benefits based on employee service and compensation as of a certain date and does not include an assumption about future compensation levels. The accumulated benefit obligation for our pension plans was $53,640 at December 31, 2011, and $51,915 at December 31, 2010.

**Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income**
Our combined net pension and postretirement cost recognized in our consolidated statements of income was $7,288, $3,750 and $2,253 for the years ended December 31, 2011, 2010 and 2009. A portion of pension and postretirement benefit costs is capitalized as part of the benefit load on internal construction and capital expenditures, providing a small reduction in the net expense recorded.

The following tables present the components of net periodic benefit obligation cost and other changes in plan assets and benefit obligations recognized in OCI:

**Net Periodic Benefit Cost**

| | Pension Benefits | | | Postretirement Benefits | | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011** | 2010 | 2009 |
| Service cost – benefits earned during the period | **$ 1,186** | $ 1,075 | $ 1,070 | **$ 362** | $ 348 | $ 334 |
| Interest cost on projected benefit obligation | **2,958** | 3,150 | 3,355 | **2,051** | 2,257 | 2,434 |
| Expected return on assets | **(3,690)** | (3,775) | (3,766) | **(1,040)** | (943) | (784) |
| Amortization of prior service cost (credit) | **(15)** | (16) | 58 | **(694)** | (624) | (469) |
| Actuarial (gain) loss | **4,498** | 1,768 | (103) | **1,672** | 510 | 124 |
| Net pension and postretirement cost [1] | **$ 4,937** | $ 2,202 | $ 614 | **$ 2,351** | $ 1,548 | $ 1,639 |

[1] During 2011, 2010 and 2009, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 reduced postretirement benefit cost by $280, $237 and $255. This effect is included in several line items above.

**Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income**

| | Pension Benefits | | | Postretirement Benefits | | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011** | 2010 | 2009 |
| Prior service (cost) credit | **$ -** | $ - | $ 394 | **$ 1,134** | $ 459 | $ 1,863 |
| Amortization of prior service cost (credit) | **(10)** | (10) | 67 | **(430)** | (388) | (223) |
| Total recognized in other comprehensive (income) loss (net of tax) | **$ (10)** | $ (10) | $ 461 | **$ 704** | $ 71 | $ 1,640 |

The estimated prior service credits that will be amortized from accumulated OCI into net periodic benefit cost over the next fiscal year is $15 for pension and $846 for postretirement benefits.

**Assumptions**
In determining the projected benefit obligation and the net pension and postemployment benefit cost, we used the following significant weighted-average assumptions:

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| Discount rate for determining projected benefit obligation at December 31 | **5.30%** | 5.80% | 6.50% |
| Discount rate in effect for determining net cost | **5.80%** | 6.50% | 7.00% |
| Long-term rate of return on plan assets | **8.25%** | 8.50% | 8.50% |
| Composite rate of compensation increase for determining projected benefit obligation and net pension cost (benefit) | **4.00%** | 4.00% | 4.00% |

Uncertainty in the securities markets and U.S. economy could result in investment returns less than those assumed. Should the securities markets decline or medical and prescription drug costs increase at a rate greater than assumed, we would expect increasing annual combined net pension and postretirement costs for the next several years. Should actual experience differ from actuarial assumptions, the projected pension benefit obligation and net pension cost and accumulated postretirement benefit obligation and postretirement benefit cost would be affected in future years.

Our expected return on plan assets is calculated using the actual fair value of plan assets. We recognize actual gains and losses on pension and postretirement plan assets immediately in our operating results. These gains and losses are measured annually as of December 31 and accordingly will be recorded during the fourth quarter, unless earlier remeasurements are required.

*Discount Rate* Our assumed discount rate of 5.30% at December 31, 2011, reflects the hypothetical rate at which the projected benefit obligations could be effectively settled or paid out to participants. We determined our discount rate based on a range of factors, including a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date and the related expected duration for the obligations. These bonds were all rated at least Aa3 or AA- by one of the nationally recognized statistical rating organizations, denominated in U.S. dollars, and neither callable, convertible nor index linked. For the year ended December 31, 2011, we decreased our discount rate by 0.50%, resulting in an increase in our pension plan benefit obligation of $3,384 and an increase in our postretirement benefit obligation of $2,114. For the year ended December 31, 2010, we decreased our discount rate by 0.70%, resulting in an increase in our pension plan benefit obligation of $3,995 and an increase in our postretirement benefit obligation of $2,817.

*Expected Long-Term Rate of Return* Our expected long-term rate of return on plan assets of 8.25% for 2012 and 2011 reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the projected benefit obligations. In setting the long-term assumed rate of return, management considers capital markets future expectations and the asset mix of the plans' investments. Actual long-term return can, in relatively stable markets, also serve as a factor in determining future expectations. We consider many factors that include, but are not limited to, historical returns on plan assets, current market information on long-term returns (e.g., long-term bond rates) and current and target asset allocations between asset categories. The target asset allocation is determined based on consultations with external investment advisers. If all other factors were to remain unchanged, we expect that a 1.00% decrease in the actual long-term rate of return would cause 2012 combined pension and postretirement cost to increase $525. However, any differences in the rate and actual returns will be included with the actuarial gain or loss recorded in the fourth quarter when our plans are remeasured. In 2012, we have decided to maintain 8.25% for our expected long-term rate of return, based on future market performance and lower economic growth in the near term.

*Composite Rate of Compensation Increase* Our expected composite rate of compensation increase of 4.00% reflects the long-term average rate of salary increases.

*Healthcare Cost Trend* Our healthcare cost trend assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends. In addition to the healthcare cost trend, we assume an annual 3.00% growth in administrative expenses and an annual 3.00% growth in dental claims. Due to benefit design changes (e.g., increased copays and deductibles for prescription drugs and certain medical services), we have generally experienced better-than-expected claims cost in recent years, resulting in an actuarial gain of $1,432 in 2011 and $1,263 in 2010. Our assumed annual healthcare cost trend rate for 2012 and 2011 is 5.00%.

A one percentage-point change in the assumed combined medical and dental cost trend rate would have the following effects:

| | One Percentage-Point Increase | One Percentage-Point Decrease |
|---|---|---|
| Increase (decrease) in total of service and interest cost components | $ 303 | $ (243) |
| Increase (decrease) in accumulated postretirement benefit obligation | 3,383 | (2,788) |

**Plan Assets**
Plan assets consist primarily of private and public equity, government and corporate bonds, and real assets (real estate and natural resources). The asset allocations of the pension plans are maintained to meet ERISA requirements. Any plan contributions, as determined by ERISA regulations, are made to a pension trust for the benefit of plan participants. Our required contributions to our pension plan for 2012 are not considered significant. We maintain VEBA trusts to partially fund postretirement benefits; however, there are no ERISA or regulatory requirements that these postretirement benefit plans be funded annually.

The principal investment objectives are to ensure the availability of funds to pay pension and postretirement benefits as they become due under a broad range of future economic scenarios, to maximize long-term investment return with an acceptable level of risk based on our pension and postretirement obligations, and to be broadly diversified across and within the capital markets to insulate asset values against adverse experience in any one market. Each asset class has broadly diversified characteristics. Substantial biases toward any particular investing style or type of security are sought to be avoided by managing the aggregation of all accounts with portfolio benchmarks. Asset and benefit obligation forecasting studies are conducted periodically, generally every two to three years, or when significant changes have occurred in market conditions, benefits, participant demographics or funded status. Decisions regarding investment policy are made with an understanding of the effect of asset allocation on funded status, future contributions and projected expenses. The current asset allocation policy and risk level for the pension plan and VEBA assets are based on a study completed and approved during 2011.

The plans' weighted-average asset targets and actual allocations as a percentage of plan assets, including the notional exposure of future contracts by asset categories at December 31, are as follows:

| | Pension Assets | | | | | Postretirement (VEBA) Assets | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Target | | | **2011** | 2010 | Target | | | **2011** | 2010 |
| Equity Securities: | | | | | | | | | | |
| Domestic | 25% | - | 35% | **24%** | 29% | 34% | - | 44% | **39%** | 42% |
| International | 10% | - | 20% | **15** | 15 | 26% | - | 36% | **31** | 34 |
| Fixed income securities | 30% | - | 40% | **34** | 34 | 16% | - | 26% | **21** | 14 |
| Real assets | 6% | - | 16% | **11** | 9 | 0% | - | 6% | **1** | 1 |
| Private equity | 4% | - | 14% | **13** | 12 | 0% | - | 10% | **5** | 4 |
| Other | 0% | - | 5% | **3** | 1 | 0% | - | 8% | **3** | 5 |
| Total | | | | **100%** | 100% | | | | **100%** | 100% |

At December 31, 2011, AT&T securities represented less than 0.5% of assets held by our pension plans and less than 1.5% of assets held by our VEBA trusts.

*Investment Valuation*
Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See "Fair Value Measurements" for further discussion.

Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. If no sale was reported on that date, they are valued at the last reported bid price. Investments in securities not traded on a national securities exchange are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Over-the-counter (OTC) securities and government obligations are valued at the bid price or the average of the bid and asked price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable. Depending on the types and contractual terms of OTC derivatives, fair value is measured using a series of techniques, such as Black-Scholes option pricing models, simulation models or a combination of various models.

Common/collective trust funds and other commingled (103-12) investment entities are valued at quoted redemption values that represent the net asset values of units held at year end which management has determined approximates fair value.

Alternative investments, including investments in private equity, real estate, natural resources, mezzanine and distressed debt, limited partnership interest, private bonds and hedge funds do not have readily available market values. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed, and such differences could be material. Alternative investments not having an established market are valued at fair value as determined by the investment managers. Private equity, mezzanine and distressed investments are often valued initially by the investment managers based upon cost. Thereafter, investment managers may use available market data to determine adjustments to carrying value based upon observations of the trading multiples of public companies considered comparable to the private companies being valued. Such market data used to determine adjustments to accounts for cash flows and company-specified issues include current operating performance and future expectations of the investments, changes in market outlook, and the third-party financing environment. Private equity partnership holdings may also include publicly held equity investments in liquid markets that are marked-to-market at quoted public values, subject to adjustments for large positions held. Real estate and natural resource direct investments are valued either at amounts based upon appraisal reports prepared by independent third-party appraisers or at amounts as determined by internal appraisals performed by the investment manager, which has been agreed to by an external valuation consultant. Private bond valuation is based upon pricing provided by an external pricing service when such pricing is available. In the event a security is too thinly traded or narrowly held to be priced by such a pricing service, or the price furnished by such external pricing services is deemed inaccurate, the managers will then solicit broker/dealer quotes (spreads or prices). In cases where such quotes are available, fair value will be determined based solely upon such quotes provided. Managers will typically use a pricing matrix for determining fair value in cases where an approved pricing service or a broker/dealer is unable to provide a fair valuation for specific fixed-rate securities such as many private placements. New fixed-rate securities will be initially valued at cost at the time of purchase. Thereafter, each bond will be assigned a spread from a pricing matrix that will be added to current Treasury rates. The pricing matrix derives spreads for each bond based on external market data, including the current credit rating for the bonds, credit spreads to Treasuries for each credit rating, sector add-ons or credits, issue specific add-ons or credits as well as call or other options.

Purchases and sales of securities are recorded as of the trade date. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Non-interest bearing cash, temporary assets and overdrafts are valued at cost, which approximates fair value.

*Fair Value Measurements*
See Note 9 “Fair Value Measurements and Disclosure” for a discussion of fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The following table sets forth by level, within the fair value hierarchy, the pension and postretirement assets and liabilities at fair value as of December 31, 2011:

| Pension Assets and Liabilities at Fair Value as of December 31, 2011 | | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Non-interest bearing cash | $ 64 | $ 1 | $ - | $ 65 |
| Interest bearing cash | 1 | - | - | 1 |
| Foreign currency contracts | - | 6 | - | 6 |
| Equity securities: | | | | |
| Domestic equities: | | | | |
| Large cap | 4,745 | - | - | 4,745 |
| Small and mid cap | 3,554 | 5 | - | 3,559 |
| International equities: | | | | |
| Developed markets | 4,890 | 56 | 3 | 4,949 |
| Emerging markets | 983 | 6 | 1 | 990 |
| Fixed income securities: | | | | |
| Asset-backed securities | - | 413 | 8 | 421 |
| Mortgage-backed securities | - | 3,038 | - | 3,038 |
| Collateralized mortgage-backed securities | - | 316 | - | 316 |
| Collateralized mortgage obligations/REMICS | - | 490 | - | 490 |
| Other Corporate and other bonds and notes: | | | | |
| Core | - | 2,758 | 72 | 2,830 |
| Long duration | - | 2,421 | - | 2,421 |
| U.S. Government and governmental agencies | 71 | 4,414 | - | 4,485 |
| Municipal bonds | - | 281 | - | 281 |
| Convertible and preferred securities | 105 | 207 | 1 | 313 |
| Fixed income funds | - | - | 347 | 347 |
| Private equity funds | - | 1 | 5,931 | 5,932 |
| Real assets: | | | | |
| Real assets | - | 4 | 2,551 | 2,555 |
| Real estate funds | - | 6 | 2,662 | 2,668 |
| Commingled funds: | | | | |
| Interest bearing investments | - | 3,087 | - | 3,087 |
| Hedge funds | - | 945 | 9 | 954 |
| Equities | - | 1,117 | - | 1,117 |
| Fixed income | - | 943 | 384 | 1,327 |
| Securities lending collateral | 1,295 | 2,879 | 3 | 4,177 |
| Assets at fair value | 15,708 | 23,394 | 11,972 | 51,074 |
| | | | | |
| Overdrafts | 59 | - | - | 59 |
| Unrealized depreciation on foreign currency contracts | - | 6 | - | 6 |
| Investments sold short | 537 | - | - | 537 |
| Payable for variation margin | 4 | - | - | 4 |
| Liabilities at fair value | 600 | 6 | - | 606 |
| Total plan net assets at fair value | $ 15,108 | $ 23,388 | $ 11,972 | $ 50,468 |
| Other assets (liabilities) [1] | | | | (4,561) |
| **Total Plan Net Assets** | | | | **$ 45,907** |

[1] Other assets (liabilities) include amounts receivable, accounts payable and net adjustment for securities lending payable.

| Postretirement Assets and Liabilities at Fair Value as of December 31, 2011 | | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Interest bearing cash | $ 30 | $ 340 | $ - | $ 370 |
| Equity securities: | | | | |
| Domestic equities: | | | | |
| Large cap | 1,785 | - | - | 1,785 |
| Small and mid cap | 1,179 | 1 | - | 1,180 |
| International equities: | | | | |
| Developed markets | 1,938 | 1 | - | 1,939 |
| Emerging markets | 641 | - | - | 641 |
| Fixed income securities: | | | | |
| Asset-backed securities | - | 51 | - | 51 |
| Collateralized mortgage-backed securities | - | 60 | - | 60 |
| Collateralized mortgage obligations | - | 28 | - | 28 |
| Other Corporate and other bonds and notes: | | | | |
| Core | - | 281 | 19 | 300 |
| Long duration | - | 53 | - | 53 |
| Municipal bonds | - | 12 | - | 12 |
| U.S. Government and governmental agencies | 48 | 607 | - | 655 |
| Commingled funds: | | | | |
| Interest bearing investments | - | 153 | - | 153 |
| Hedge funds | - | 81 | 5 | 86 |
| Equities | 136 | 1,045 | - | 1,181 |
| Fixed income | 39 | 966 | - | 1,005 |
| Private equity assets | - | 3 | 437 | 440 |
| Real assets | - | - | 124 | 124 |
| Securities lending collateral | 780 | 108 | - | 888 |
| Receivable for foreign exchange contracts | 3 | - | - | 3 |
| Assets at fair value | 6,579 | 3,790 | 585 | 10,954 |
| Foreign exchange contracts payable | 3 | - | - | 3 |
| Liabilities at fair value | 3 | - | - | 3 |
| Total plan net assets at fair value | $ 6,576 | $ 3,790 | $ 585 | $ 10,951 |
| Other assets (liabilities) [1] | | | | (1,061) |
| **Total Plan Net Assets** | | | | **$ 9,890** |

[1] Other assets (liabilities) include amounts receivable, accounts payable and net adjustment for securities lending payable.

The tables below set forth a summary of changes in the fair value of the Level 3 pension and postretirement assets for the year ended December 31, 2011:

| Pension Assets | Equities | Fixed Income Funds | Hedge Funds | Private Equity Funds | Real Assets | Total |
|---|---|---|---|---|---|---|
| Balance at beginning of year | $ - | $ 391 | $ 50 | $ 5,617 | $ 4,570 | $ 10,628 |
| Realized gains (losses) | (1) | 17 | - | 164 | 2 | 182 |
| Unrealized gains (losses) | 1 | (6) | - | 448 | 666 | 1,109 |
| Transfers in | 3 | 393 | - | - | - | 396 |
| Purchases | 1 | 95 | - | 844 | 859 | 1,799 |
| Sales | - | (75) | (41) | (1,142) | (884) | (2,142) |
| **Balance at end of year** | **$ 4** | **$ 815** | **$ 9** | **$ 5,931** | **$ 5,213** | **$ 11,972** |

| Postretirement Assets | Fixed Income Funds | Hedge Funds | Private Equity Funds | Real Assets | Total |
|---|---|---|---|---|---|
| Balance at beginning of year | $ 19 | $ 26 | $ 496 | $ 157 | $ 698 |
| Realized gains (losses) | - | - | 70 | (28) | 42 |
| Unrealized gains (losses) | - | - | (23) | 31 | 8 |
| Purchases | 8 | - | 175 | 53 | 236 |
| Sales | (8) | (21) | (281) | (89) | (399) |
| **Balance at end of year** | **$ 19** | **$ 5** | **$ 437** | **$ 124** | **$ 585** |

The following tables set forth by level, within the fair value hierarchy, the pension and postretirement assets and liabilities at fair value as of December 31, 2010:

| Pension Assets and Liabilities at Fair Value as of December 31, 2010 | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Non-interest bearing cash | $ 100 | $ - | $ - | $ 100 |
| Interest bearing cash | - | 22 | - | 22 |
| Foreign currency contracts | - | 57 | - | 57 |
| Equity securities: | | | | |
| Domestic equities: | | | | |
| Large cap | 6,698 | - | - | 6,698 |
| Small and mid cap | 4,786 | 7 | - | 4,793 |
| International equities: | | | | |
| Developed markets | 5,398 | 2 | - | 5,400 |
| Emerging markets | 708 | 32 | - | 740 |
| Fixed income securities: | | | | |
| Asset-backed securities | - | 709 | 3 | 712 |
| Mortgage-backed securities | - | 2,727 | - | 2,727 |
| Collateralized mortgage-backed securities | - | 414 | - | 414 |
| Collateralized mortgage obligations/REMICS | - | 657 | - | 657 |
| Other Corporate and other bonds and notes: | | | | |
| Core | - | 2,877 | 11 | 2,888 |
| Long duration | - | 2,168 | - | 2,168 |
| U.S. Government and governmental agencies | 270 | 3,841 | - | 4,111 |
| Municipal bonds | - | 230 | - | 230 |
| Convertible and preferred securities | 63 | 228 | - | 291 |
| Fixed income funds | - | - | 377 | 377 |
| Registered investment companies | 1 | - | - | 1 |
| Private equity funds | - | 1 | 5,617 | 5,618 |
| Real assets: | | | | |
| Real assets | - | - | 2,314 | 2,314 |
| Real estate funds | - | - | 2,256 | 2,256 |
| Commingled funds: | | | | |
| Interest bearing investments | 2 | 2,351 | - | 2,353 |
| Hedge funds | - | 831 | 50 | 881 |
| Equities | - | 1,769 | - | 1,769 |
| Fixed income | - | 1,253 | - | 1,253 |
| Securities lending collateral | 2,740 | 2,904 | - | 5,644 |
| Variation margin receivable | 3 | - | - | 3 |
| Assets at fair value | 20,769 | 23,080 | 10,628 | 54,477 |
| | | | | |
| Overdrafts | 3 | - | - | 3 |
| Unrealized depreciation on foreign currency contracts | 57 | - | - | 57 |
| Investments sold short | 573 | - | - | 573 |
| Written options payable | 1 | - | - | 1 |
| Liabilities at fair value | 634 | - | - | 634 |
| Total plan net assets at fair value | $ 20,135 | $ 23,080 | $ 10,628 | $ 53,843 |
| Other assets (liabilities) [1] | | | | (6,222) |
| Total Plan Net Assets | | | | $ 47,621 |

[1] Other assets (liabilities) include amounts receivable, accounts payable and net adjustment for securities lending payable.

| Postretirement Assets and Liabilities at Fair Value as of December 31, 2010 | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Interest bearing cash | $ 19 | $ 524 | $ - | $ 543 |
| Equity securities: | | | | |
| Domestic equities: | | | | |
| Large cap | 2,298 | - | - | 2,298 |
| Small and mid cap | 1,452 | - | - | 1,452 |
| International equities: | | | | |
| Developed markets | 2,779 | - | - | 2,779 |
| Emerging markets | 843 | - | - | 843 |
| Fixed income securities: | | | | |
| Asset-backed securities | - | 51 | - | 51 |
| Collateralized mortgage-backed securities | - | 37 | - | 37 |
| Collateralized mortgage obligations | - | 43 | - | 43 |
| Other Corporate and other bonds and notes: | | | | |
| Core | - | 239 | 19 | 258 |
| Long duration | - | 83 | - | 83 |
| Municipal bonds | - | 6 | - | 6 |
| U.S. Government and governmental agencies | 11 | 620 | - | 631 |
| Registered investment companies | 14 | - | - | 14 |
| Commingled funds: | | | | |
| Interest bearing investments | - | 295 | - | 295 |
| Hedge funds | - | 77 | 26 | 103 |
| Equities | 153 | 1,168 | - | 1,321 |
| Fixed income | 35 | 1,572 | - | 1,607 |
| Private equity assets | 6 | 3 | 496 | 505 |
| Real assets | - | - | 157 | 157 |
| Securities lending collateral | 636 | 71 | - | 707 |
| Receivable for foreign exchange contracts | 2 | - | - | 2 |
| Assets at fair value | 8,248 | 4,789 | 698 | 13,735 |
| | | | | |
| Foreign exchange contracts payable | 2 | - | - | 2 |
| Liabilities at fair value | 2 | - | - | 2 |
| Total plan net assets at fair value | $ 8,246 | $ 4,789 | $ 698 | $ 13,733 |
| Other assets (liabilities) [1] | | | | (986) |
| Total Plan Net Assets | | | | $ 12,747 |

[1] Other assets (liabilities) include amounts receivable, accounts payable and net adjustment for securities lending payable.

The tables below set forth a summary of changes in the fair value of the Level 3 pension and postretirement assets for the year ended December 31, 2010:

| Pension Assets | Equities | Fixed Income Funds | Hedge Funds | Private Equity Funds | Real Assets | Total |
|---|---|---|---|---|---|---|
| Balance at beginning of year | $ 1 | $ 337 | $ 102 | $ 4,714 | $ 3,457 | $ 8,611 |
| Realized gains (losses) | (2) | 40 | - | 434 | 135 | 607 |
| Unrealized gains (losses) | (1) | 15 | (52) | 942 | 636 | 1,540 |
| Purchases, sales, issuances and settlements (net) | 2 | (1) | - | (473) | 342 | (130) |
| Balance at end of year | $ - | $ 391 | $ 50 | $ 5,617 | $ 4,570 | $ 10,628 |

| Postretirement Assets | Fixed Income Funds | Hedge Funds | Private Equity Funds | Real Assets | Total |
|---|---|---|---|---|---|
| Balance at beginning of year | $ 19 | $ 72 | $ 479 | $ 172 | $ 742 |
| Realized gains (losses) | - | - | 49 | 14 | 63 |
| Unrealized gains (losses) | - | - | 28 | (14) | 14 |
| Purchases, sales, issuances and settlements (net) | - | (46) | (60) | (15) | (121) |
| Balance at end of year | $ 19 | $ 26 | $ 496 | $ 157 | $ 698 |

**Estimated Future Benefit Payments**

Expected benefit payments are estimated using the same assumptions used in determining our benefit obligation at December 31, 2011. Because benefit payments will depend on future employment and compensation levels, average years employed and average life spans, among other factors, changes in any of these factors could significantly affect these expected amounts. The following table provides expected benefit payments under our pension and postretirement plans:

| | Pension Benefits | Postretirement Benefits | Medicare Subsidy Receipts |
|---|---|---|---|
| 2012 | $ 6,629 | $ 2,500 | $ (119) |
| 2013 | 4,213 | 2,341 | (19) |
| 2014 | 4,174 | 2,292 | (23) |
| 2015 | 4,170 | 2,235 | (26) |
| 2016 | 4,160 | 2,210 | (30) |
| Years 2017 - 2021 | 20,711 | 10,770 | (201) |

**Supplemental Retirement Plans**
We also provide certain senior- and middle-management employees with nonqualified, unfunded supplemental retirement and savings plans. While these plans are unfunded, we have assets in a designated nonbankruptcy remote trust that are independently managed and used to provide for these benefits. These plans include supplemental pension benefits as well as compensation-deferral plans, some of which include a corresponding match by us based on a percentage of the compensation deferral.

We use the same significant assumptions for the discount rate and composite rate of compensation increase used in determining the projected benefit obligation and the net pension and postemployment benefit cost. The following tables provide the plans' benefit obligations and fair value of assets at December 31 and the components of the supplemental retirement pension benefit cost. The net amount recorded as "Other noncurrent liabilities" on our consolidated balance sheets at December 31, 2011, was $2,294 and $2,270 at December 31, 2010.

The following table provides information for our supplemental retirement plans with accumulated benefit obligations in excess of plan assets:

| | **2011** | 2010 |
|---|---|---|
| Projected benefit obligation | **$ (2,294)** | $ (2,270) |
| Accumulated benefit obligation | **(2,223)** | (2,154) |
| Fair value of plan assets | **-** | - |

The following tables present the components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in OCI:

| **Net Periodic Benefit Cost** | **2011** | 2010 | 2009 |
|---|---|---|---|
| Service cost – benefits earned during the period | **$ 14** | $ 12 | $ 11 |
| Interest cost on projected benefit obligation | **126** | 134 | 140 |
| Amortization of prior service cost | **2** | 2 | 5 |
| Actuarial (gain) loss | **81** | 186 | 82 |
| Net supplemental retirement pension cost | **$ 223** | $ 334 | $ 238 |

| **Other Changes Recognized in Other Comprehensive Income** | **2011** | 2010 | 2009 |
|---|---|---|---|
| Prior service (cost) credit | **$ 6** | $ (5) | $ (5) |
| Amortization of prior service cost (credit) | **1** | (2) | (3) |
| Total recognized in other comprehensive (income) loss (net of tax) | **7** | (7) | (8) |

The estimated prior service credit for our supplemental retirement plan benefits that will be amortized from accumulated OCI into net periodic benefit cost over the next fiscal year is less than $1.

Deferred compensation expense was $96 in 2011, $96 in 2010 and $95 in 2009. Our deferred compensation liability, included in "Other noncurrent liabilities," was $1,020 at December 31, 2011, and $1,003 at December 31, 2010.

**Contributory Savings Plans**
We maintain contributory savings plans that cover substantially all employees. Under the savings plans, we match in cash or company stock a stated percentage of eligible employee contributions, subject to a specified ceiling. There are no debt-financed shares held by the Employee Stock Ownership Plans, allocated or unallocated.

Our match of employee contributions to the savings plans is fulfilled with purchases of our stock on the open market or company cash. Benefit cost is based on the cost of shares or units allocated to participating employees' accounts and was $636, $607 and $586 for the years ended December 31, 2011, 2010 and 2009.

## NOTE 12. SHARE-BASED PAYMENT

We account for our share-based payment arrangements based on the fair value of the awards on their respective grant date, which may affect our ability to fully realize the value shown on our consolidated balance sheets of deferred tax assets associated with compensation expense. Full realization of these deferred tax assets requires stock options to be exercised at a price equaling or exceeding the sum of the exercise price plus the fair value of the options at the grant date. We record a valuation allowance when our future taxable income is not expected to be sufficient to recover the asset. Accordingly, there can be no assurance that the current stock price of our common shares will rise to levels sufficient to realize the entire tax benefit currently reflected on our consolidated balance sheets. However, to the extent we generate excess tax benefits (i.e., that additional tax benefits in excess of the deferred taxes associated with compensation expense previously recognized) the potential future impact on income would be reduced.

At December 31, 2011, we had various share-based payment arrangements, which we describe in the following discussion. The compensation cost recognized for those plans was included in operating expenses in our consolidated statements of income. The total income tax benefit recognized in the consolidated statements of income for share-based payment arrangements was $187 for 2011, compared to $196 for 2010 and $121 for 2009.

Under our various plans, senior and other management employees and nonemployee directors have received stock options, performance stock units, and other nonvested stock and stock units. Stock options issued through December 31, 2011, carry exercise prices equal to the market price of our stock at the date of grant. Prior to 2006, depending on the grant, stock options vesting could occur up to five years from the date of grant, with most options vesting ratably over three years. Stock options granted as part of a deferred compensation plan do not have a vesting period; since 2006, these are the only options issued by AT&T. We grant performance stock units, which are nonvested stock units, to key employees based upon our stock price at the date of grant and award them in the form of AT&T common stock and cash at the end of a three-year period, subject to the achievement of certain performance goals. We treat the cash portion of these awards as a liability. Other nonvested stock and stock units are valued at the market price of our common stock at the date of grant and vest typically over a two- to five-year period. As of December 31, 2011, we were authorized to issue up to 121 million shares of common stock (in addition to shares that may be issued upon exercise of outstanding options or upon vesting of performance stock units or other nonvested stock units) to officers, employees and directors pursuant to these various plans.

The compensation cost that we have charged against income for our share-based payment arrangements was as follows:

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| Performance stock units | **$ 392** | $ 421 | $ 289 |
| Restricted stock | **91** | 85 | 21 |
| Stock options | **6** | 6 | 8 |
| Other | **-** | 1 | (2) |
| Total | **$ 489** | $ 513 | $ 316 |

The estimated fair value of the options when granted is amortized to expense over the options' vesting or required service period. The fair value for these options, for the indicated years ended, was estimated at the date of grant based on the expected life of the option and historical exercise experience, using a Black-Scholes option pricing model with the following weighted-average assumptions:

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| Risk-free interest rate | **2.91%** | 3.06% | 3.17% |
| Dividend yield | **5.96%** | 6.61% | 6.82% |
| Expected volatility factor | **14.74%** | 15.75% | 19.65% |
| Expected option life in years | **7.00** | 7.00 | 7.00 |

A summary of option activity as of December 31, 2011, and changes during the year then ended, is presented below (shares in millions):

| Options | Shares | Weighted- Average Exercise Price | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value [1] |
|---|---|---|---|---|
| Outstanding at January 1, 2011 | 130 | $ 34.60 | 1.69 | $ 150 |
| Granted | 2 | 28.90 | | |
| Exercised | (9) | 26.24 | | |
| Forfeited or expired | (57) | 40.37 | | |
| Outstanding at December 31, 2011 | 66 | 30.62 | 1.99 | 148 |
| Exercisable at December 31, 2011 | 64 | $ 30.68 | 1.72 | $ 145 |

[1] Aggregate intrinsic value includes only those options with intrinsic value (options where the exercise price is below the market price).

The weighted-average fair value of each option granted during the period was $1.57 for 2011, compared to $1.34 for 2010 and $1.84 for 2009. The total intrinsic value of options exercised during 2011 was $40, compared to $13 for 2010, and $5 for 2009.

It is our policy to satisfy share option exercises using our treasury shares. The actual excess tax benefit realized for the tax deductions from option exercises from these arrangements was $2 for 2011, compared to $0 for 2010 and $0 for 2009.

A summary of the status of our nonvested stock units, which includes performance stock units as of December 31, 2011, and changes during the year then ended is presented as follows (shares in millions):

| Nonvested Stock Units | Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2011 | 29 | $ 25.30 |
| Granted | 13 | 28.17 |
| Vested | (14) | 25.30 |
| Forfeited | (1) | 25.93 |
| **Nonvested at December 31, 2011** | **27** | **$ 26.53** |

As of December 31, 2011, there was $329 of total unrecognized compensation cost related to nonvested share-based payment arrangements granted. That cost is expected to be recognized over a weighted-average period of 1.88 years. The total fair value of shares vested during the year was $426 for 2011, compared to $331 for 2010 and $369 for 2009.

**NOTE 13. STOCKHOLDERS' EQUITY**

From time to time, we repurchase shares of common stock for distribution through our employee benefit plans or in connection with certain acquisitions. In December 2010, the Board of Directors authorized the repurchase of up to 300 million shares of our common stock. As of December 31, 2011, we had repurchased no shares under this program. We began buying back stock under this program in January 2012.

During the Annual Meeting of Shareholders in April 2009, shareholders approved the increase of authorized common shares of AT&T stock from 7 billion to 14 billion, with no change to the currently authorized 10 million preferred shares of AT&T stock. As of December 31, 2011 and 2010, no preferred shares were outstanding.

In December 2011, the Company declared its quarterly dividend, which reflected an increase in the amount per share of common stock to $0.44. In December 2010, the Company declared its quarterly dividend, increasing the amount per share of common stock from $0.42 to $0.43.

**NOTE 14. ADDITIONAL FINANCIAL INFORMATION**

| | December 31, | |
|---|---|---|
| **Consolidated Balance Sheets** | **2011** | 2010 |
| Accounts payable and accrued liabilities: | | |
| Accounts payable | **$ 8,593** | $ 7,437 |
| Accrued expenses | **2,004** | 2,761 |
| Accrued payroll and commissions | **2,170** | 2,225 |
| Deferred directory revenue | **904** | 1,278 |
| Accrued interest | **1,576** | 1,601 |
| Compensated future absences | **525** | 538 |
| Current portion of employee benefit obligation | **2,288** | 2,394 |
| Other | **1,798** | 1,821 |
| Total accounts payable and accrued liabilities | **$ 19,858** | $ 20,055 |
| Deferred compensation (included in Other noncurrent liabilities) | **$ 1,020** | $ 1,003 |

| **Consolidated Statements of Income** | **2011** | 2010 | 2009 |
|---|---|---|---|
| Advertising expense | **$ 2,359** | $ 2,982 | $ 2,787 |
| Interest expense incurred | **$ 3,697** | $ 3,766 | $ 4,108 |
| Capitalized interest | **(162)** | (772) | (740) |
| Total interest expense | **$ 3,535** | $ 2,994 | $ 3,368 |

| **Consolidated Statements of Cash Flows** | **2011** | 2010 | 2009 |
|---|---|---|---|
| Cash paid during the year for: | | | |
| Interest | **$ 3,722** | $ 3,882 | $ 3,862 |
| Income taxes, net of refunds | **32** | 3,538 | 4,471 |

| **Consolidated Statements of Changes in Stockholders' Equity** | **2011** | 2010 | 2009 |
|---|---|---|---|
| Foreign currency translation adjustment | **$ (371)** | $ (494) | $ (765) |
| Unrealized gains on available-for-sale securities | **222** | 316 | 324 |
| Unrealized gains (losses) on cash flow hedges | **(421)** | (180) | 142 |
| Defined benefit postretirement plans | **3,750** | 3,070 | 2,979 |
| Other | **-** | - | (2) |
| Accumulated other comprehensive income | **$ 3,180** | $ 2,712 | $ 2,678 |

**Labor Contracts** As of January 31, 2012, we employed approximately 256,000 persons. Approximately 55% of our employees are represented by the Communications Workers of America, the International Brotherhood of Electrical Workers or other unions. Contracts covering approximately 120,000 employees will expire during 2012. For contracts covering approximately 80,000 (mainly wireline) employees, the union is entitled to call a work stoppage in the absence of a new contract being reached.

**American Tower Corp. Agreement** In August 2000, we reached an agreement with American Tower Corp. (American Tower) under which we granted American Tower the exclusive rights to lease space on a number of our communications towers. In exchange, we received a combination of cash and equity instruments as complete prepayment of rent with the closing of each leasing agreement. The value of the prepayments was recorded as deferred revenue and recognized in income as revenue over the life of the leases. The balance of deferred revenue was $450 in 2011, $480 in 2010, and $509 in 2009.

No customer accounted for more than 10% of consolidated revenues in 2011, 2010 or 2009.

## NOTE 15. CONTINGENT LIABILITIES

We are party to numerous lawsuits, regulatory proceedings and other matters arising in the ordinary course of business. In accordance with GAAP standards for contingencies, in evaluating these matters on an ongoing basis, we take into account amounts already accrued on the balance sheet. In our opinion, although the outcomes of these proceedings are uncertain, they should not have a material adverse effect on our financial position, results of operations or cash flows.

We have contractual obligations to purchase certain goods or services from various other parties. Our purchase obligations are expected to be approximately $3,845 in 2012, $4,339 in total for 2013 and 2014, $2,185 in total for 2015 and 2016 and $340 in total for years thereafter.

See Note 9 for a discussion of collateral and credit-risk contingencies.

## NOTE 16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables represent our quarterly financial results:

| | 2011 Calendar Quarter | | | | |
|---|---|---|---|---|---|
| | First | Second | Third | Fourth [2] | Annual |
| Total Operating Revenues | $ 31,247 | $ 31,495 | $ 31,478 | $ 32,503 | $ 126,723 |
| Operating Income | 5,808 | 6,165 | 6,235 | (8,990) | 9,218 |
| Net Income | 3,468 | 3,658 | 3,686 | (6,628) | 4,184 |
| Net Income Attributable to AT&T | 3,408 | 3,591 | 3,623 | (6,678) | 3,944 |
| Basic Earnings Per Share Attributable to AT&T [1] | $ 0.57 | $ 0.60 | $ 0.61 | $ (1.12) | $ 0.66 |
| Diluted Earnings Per Share Attributable to AT&T [1] | $ 0.57 | $ 0.60 | $ 0.61 | $ (1.12) | $ 0.66 |
| Stock Price | | | | | |
| High | $ 30.97 | $ 31.94 | $ 31.78 | $ 30.30 | |
| Low | 27.20 | 29.91 | 27.29 | 27.41 | |
| Close | 30.61 | 31.41 | 28.52 | 30.24 | |

[1] Quarterly earnings per share impacts may not add to full-year earnings per share impacts due to the difference in weighted-average common shares for the quarters versus the weighted-average common shares for the year.
[2] Includes an actuarial loss on pension and postretirement benefit plans (Note 11), T-Mobile breakup fee (Note 2) and impairment of intangible assets (Note 6).

| | 2010 Calendar Quarter | | | | |
|---|---|---|---|---|---|
| | First [2] | Second [3] | Third [4] | Fourth [5] | Annual |
| Total Operating Revenues | $ 30,530 | $ 30,808 | $ 31,581 | $ 31,361 | $ 124,280 |
| Operating Income | 5,971 | 6,083 | 5,431 | 2,088 | 19,573 |
| Income (Loss) from Discontinued Operations | 2 | (5) | 780 | 2 | 779 |
| Net Income | 2,540 | 4,082 | 12,396 | 1,161 | 20,179 |
| Income from Continuing Operations Attributable to AT&T | 2,451 | 4,008 | 11,539 | 1,087 | 19,085 |
| Net Income Attributable to AT&T | 2,453 | 4,003 | 12,319 | 1,089 | 19,864 |
| Basic Earnings Per Share from Continuing Operations Attributable to AT&T [1] | $ 0.42 | $ 0.68 | $ 1.95 | $ 0.18 | $ 3.23 |
| Basic Earnings Per Share from Discontinued Operations Attributable to AT&T [1] | - | - | 0.13 | - | 0.13 |
| Basic Earnings Per Share Attributable to AT&T [1] | $ 0.42 | $ 0.68 | $ 2.08 | $ 0.18 | $ 3.36 |
| Diluted Earnings Per Share from Continuing Operations Attributable to AT&T [1] | $ 0.41 | $ 0.67 | $ 1.94 | $ 0.18 | $ 3.22 |
| Diluted Earnings Per Share from Discontinued Operations Attributable to AT&T [1] | - | - | 0.13 | - | 0.13 |
| Diluted Earnings Per Share Attributable to AT&T [1] | $ 0.41 | $ 0.67 | $ 2.07 | $ 0.18 | $ 3.35 |
| Stock Price | | | | | |
| High | $ 28.73 | $ 26.75 | $ 29.15 | $ 29.56 | |
| Low | 24.61 | 23.78 | 23.88 | 27.49 | |
| Close | 25.84 | 24.19 | 28.60 | 29.38 | |

[1] Quarterly earnings per share impacts may not add to full-year earnings per share impacts due to the difference in weighted-average common shares for the quarters versus the weighted-average common shares for the year.
[2] Includes a charge to income tax expense related to Medicare Part D subsidies (Note 10).
[3] Includes a gain on our TI exchange (Note 7).
[4] Includes an IRS tax settlement (Note 10).
[5] Includes an actuarial loss on pension and postretirement benefit plans (Note 11) and severance (Note 1).

## Report of Management

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles. The integrity and objectivity of the data in these financial statements, including estimates and judgments relating to matters not concluded by year end, are the responsibility of management, as is all other information included in the Annual Report, unless otherwise indicated.

The financial statements of AT&T Inc. (AT&T) have been audited by Ernst & Young LLP, Independent Registered Public Accounting Firm. Management has made available to Ernst & Young LLP all of AT&T's financial records and related data, as well as the minutes of stockholders' and directors' meetings. Furthermore, management believes that all representations made to Ernst & Young LLP during its audit were valid and appropriate.

Management maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by AT&T is recorded, processed, summarized, accumulated and communicated to its management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure, and reported within the time periods specified by the Securities and Exchange Commission's rules and forms.

Management also seeks to ensure the objectivity and integrity of its financial data by the careful selection of its managers, by organizational arrangements that provide an appropriate division of responsibility and by communication programs aimed at ensuring that its policies, standards and managerial authorities are understood throughout the organization.

The Audit Committee of the Board of Directors meets periodically with management, the internal auditors and the independent auditors to review the manner in which they are performing their respective responsibilities and to discuss auditing, internal accounting controls and financial reporting matters. Both the internal auditors and the independent auditors periodically meet alone with the Audit Committee and have access to the Audit Committee at any time.

**Assessment of Internal Control**

The management of AT&T is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934. AT&T's internal control system was designed to provide reasonable assurance to the company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

AT&T management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2011. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework* . Based on its assessment, AT&T management believes that, as of December 31, 2011, the Company's internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report, has issued an attestation report on the company's internal control over financial reporting.

/s/ Randall Stephenson
Randall Stephenson
Chairman of the Board,
Chief Executive Officer and President

/s/ John J. Stephens
John J. Stephens
Senior Executive Vice President and
Chief Financial Officer

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of AT&T Inc.

We have audited the accompanying consolidated balance sheets of AT&T Inc. (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Dallas, Texas
February 24, 2012

**Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting**

The Board of Directors and Stockholders of AT&T Inc.

We have audited AT&T Inc.'s (the Company) internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011 and our report dated February 24, 2012 expressed an unqualified opinion thereon.

/ s/ Ernst & Young LLP
Dallas, Texas
February 24, 2012

**PRINCIPAL SUBSIDIARIES OF**

**AT&T INC., AS OF DECEMBER 31, 2010**

**2010 AT&T INC. REPORT TO STOCKHOLDERS**

**SECURITIES AND EXCHANGE COMMISSION ("SEC")**

**FORM 10-K filed February 24, 2011**

| Legal Name | State of Incorporation/Formation | Conducts Business Under |
|---|---|---|
| Illinois Bell Telephone Company | Illinois | AT&T Illinois;<br>AT&T Wholesale |
| Indiana Bell Telephone Company, Incorporated | Indiana | AT&T Indiana;<br>AT&T Wholesale |
| Michigan Bell Telephone Company | Michigan | AT&T Michigan;<br>AT&T Wholesale |
| Nevada Bell Telephone Company | Nevada | AT&T Nevada;<br>AT&T Wholesale |
| Pacific Bell Telephone Company | California | AT&T California;<br>AT&T Wholesale;<br>AT&T DataComm |
| AT&T International, Inc. | Delaware | AT&T International |
| SBC Internet Services, Inc. | California | AT&T Internet Services;<br>AT&T Entertainment Services |
| SBC Long Distance, LLC | Delaware | AT&T Long Distance |
| AT&T Teleholdings, Inc. | Delaware | AT&T Midwest;<br>AT&T West;<br>AT&T East |
| Southwestern Bell Telephone Company | Missouri | AT&T Arkansas; AT&T Kansas;<br>AT&T Missouri; AT&T Oklahoma;<br>AT&T Texas; AT&T Southwest;<br>AT&T DataComm; AT&T Wholesale |
| Southwestern Bell Yellow Pages, Inc. | Missouri | AT&T Advertising Solutions |
| The Ohio Bell Telephone Company | Ohio | AT&T Ohio;<br>AT&T Wholesale |
| The Southern New England Telephone Company | Connecticut | AT&T Connecticut;<br>AT&T Woodbury |
| Wisconsin Bell, Inc. | Wisconsin | AT&T Wisconsin;<br>AT&T Wholesale |
| AT&T Corp. | New York | AT&T Corp.; ACC Business;<br>AT&T Wholesale;<br>Lucky Dog Phone Co.; SmarTalk;<br>ConQuest; CQTalk!;<br>AT&T Business Solutions;<br>AT&T Advanced Solutions |
| AT&T Communications of California, Inc. | California | same |
| AT&T Communications of the Mountain States, Inc. | Colorado | Conquest; SmarTalk;CQTalk!; |
| AT&T Communications of NJ, L.P. | Delaware | same |
| AT&T Communications of New York, Inc. | New York | same |
| AT&T Communications of Illinois, Inc. | Illinois | SmarTalk; ConQuest; Lucky Dog Phone Co.;<br>ACC Business |
| AT&T Communications of the Southern States, LLC | Delaware | ACC Business; SmarTalk;<br>AT&T; Conquest; CQTalk!;<br>Lucky Dog Phone Co. |
| Teleport Communications New York | New York | same |
| BellSouth Corporation | Georgia | AT&T South |
| BellSouth Telecommunications, LLC | Georgia | AT&T Alabama<br>AT&T Florida<br>AT&T Georgia<br>AT&T Kentucky |

| | | |
|---|---|---|
| | | AT&T Louisiana<br>AT&T Mississippi<br>AT&T North Carolina<br>AT&T South Carolina<br>AT&T Tennessee<br>AT&T Southeast |
| AT&T Mobility LLC | Delaware | AT&T Mobility |
| AT&T Mobility II LLC | Delaware | AT&T Mobility |
| New Cingular Wireless Services, Inc. | Delaware | AT&T Mobility |

**Exhibit 23**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in this Annual Report (Form 10-K) of AT&T Inc. (AT&T) of our reports dated February 24, 2012, with respect to the consolidated financial statements of AT&T and the effectiveness of internal control over financial reporting of AT&T, included in the 2011 Annual Report to Stockholders of AT&T.

Our audits also included the financial statement schedule of AT&T listed in Item 15(a). This schedule is the responsibility of AT&T's management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is February 24, 2012, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-34062) pertaining to the Stock Savings Plan,
(2) Registration Statement (Form S-8 No. 333-95887) pertaining to the 1995 Management Stock Option Plan,
(3) Registration Statements (Form S-8 No. 333-30669 (1996 Plan only) and 333-54398) pertaining to the 1996 Stock and Incentive Plan and the 2001 Incentive Plan,
(4) Registration Statement (Form S-8 No. 333-120894) pertaining to the AT&T Stock Purchase and Deferral Plan and Cash Deferral Plan,
(5) Registration Statement (Form S-8 No. 333-129814) pertaining to the AT&T Savings Plan and certain other plans,
(6) Registration Statement (Form S-3 No. 333-165543) of AT&T and the related Prospectuses,
(7) Registration Statement (Form S-8 No. 333-135517) pertaining to the 2006 Incentive Plan,
(8) Registration Statement (Form S-8 No. 333-139749) pertaining to the BellSouth Retirement Savings Plan and other certain BellSouth plans,
(9) Registration Statement (Form S-8 No. 333-162472 and 333-173078) pertaining to the AT&T Savings Plan, AT&T Savings and Security Plan, AT&T Long Term Savings and Security Plan, AT&T Retirement Savings Plan, AT&T Puerto Rico Savings Plan, AT&T Puerto Rico Retirement Savings Plan, AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan, and the BellSouth Savings and Security Plan; and
(10) Registration Statement (Form S-8 No. 333-152822) pertaining to the AT&T Non-Employee Director Stock Purchase Plan

of our reports dated February 24, 2012, with respect to the consolidated financial statements of AT&T and the effectiveness of internal control over financial reporting of AT&T, incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule of AT&T included in this Annual Report (Form 10-K) of AT&T for the year ended December 31, 2011.

/s/ Ernst & Young LLP

Dallas, Texas
February 24, 2012

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints Jonathan P. Klug, John J. Stephens, Paul W. Stephens, Wayne Watts, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 23, 2012
Date

/s/ Randall L. Stephenson
Randall L. Stephenson
Chairman of the Board, Chief Executive Officer and President

January 27, 2012
Date

/s/ Gilbert F. Amelio
Gilbert F. Amelio
Director

January 27, 2012
Date

/s/ Reuben V. Anderson
Reuben V. Anderson
Director

January 27, 2012
Date

/s/ James H. Blanchard
James H. Blanchard
Director

January 27, 2012
Date

/s/ Jaime Chico Pardo
Jaime Chico Pardo
Director

February 10, 2012
Date

/s/ James P. Kelly
James P. Kelly
Director

January 27, 2012
Date

/s/ Jon C. Madonna
Jon C. Madonna
Director

January 27, 2012
Date

/s/ Lynn M. Martin
Lynn M. Martin
Director

January 27, 2012
Date

/s/ John B. McCoy
John B. McCoy
Director

January 27, 2012
Date

/s/ Joyce M. Roché
Joyce M. Roché
Director

January 27, 2012
Date

/s/ Matthew K. Rose
Matthew K. Rose
Director

February 10, 2012
Date

/s/ Laura D'Andrea Tyson
Laura D'Andrea Tyson
Director

Exhibit 31.1

**CERTIFICATION**

I, Randall Stephenson, certify that:

1. I have reviewed this report on Form 10-K of AT&T Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ Randall Stephenson .
Randall Stephenson
Chairman of the Board,
Chief Executive Officer and President

Exhibit 31.2

**CERTIFICATION**

I, John J. Stephens, certify that:

1. I have reviewed this report on Form 10-K of AT&T Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ John J. Stephens .
John J. Stephens
Senior Executive Vice President
and Chief Financial Officer

**Certification of Periodic Financial Reports**

Pursuant to 18 U.S.C. Section 1350, each of the undersigned officers of AT&T Inc. (the "Company") hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 24, 2012

By: /s/ Randall Stephenson.
Randall Stephenson
Chairman of the Board, Chief Executive Officer
and President

February 24, 2012

By: /s/ John J. Stephens.
John J. Stephens
Senior Executive Vice President
and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document. This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act") or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent this Exhibit 32 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to AT&T Inc. and will be retained by AT&T Inc. and furnished to the Securities and Exchange Commission or its staff upon request.