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MAR 15 2001
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

March 15, 2001

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
Room TW-A325, The Portals
445 Twelfth Street, SW
Washington, D.C. 20554

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

Dear Ms. Salas:

In accordance with Paragraph 65(c) of the SBC/Ameritech Merger Conditions, SBC Communications Inc. (SBC) submits the attached "Annual Compliance Report" for the Calendar Year 2000.

If you have any questions regarding this report please contact me or Michelle Thomas at (202) 326-8919.

Sincerely,

Attachment

cc: Ms. Carol Mattey
Mr. Anthony Dale
Mr. Mark Stephens

No. of Copies rec'd 0
List A B C D E

SBC Communications Inc.

SBC/Ameritech Merger Conditions
2000 Compliance Report to the FCC

Cassandra Carr
Senior Executive Vice-President
External Affairs
SBC Communications Inc.

March 15, 2001

Merger Compliance Report – March 15, 2001
SBC Communications Inc.

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Executive Summary

The SBC/Ameritech Merger Conditions ("Merger Conditions") require SBC Communications Inc. ("SBC" or "Company") to submit a report annually by March 15 addressing the Company's compliance with the Merger Conditions for the preceding calendar year. This report summarizes SBC's compliance efforts from January 1, 2000 through December 31, 2000.

When the Commission approved the SBC/Ameritech merger, it did so pursuant to the most far-reaching and costly set of Conditions in telecommunications industry history. These conditions – which include performance-measure reporting and penalty provisions, out-of-region entry plans, 13 State OSS, a structurally separate advanced services affiliate, and comprehensive monitoring and independent audit requirements – are exceedingly complex in application and operation.

To meet the performance reporting provisions, for example, SBC collected and produced, on a monthly basis, hundreds of thousands of data points tracking virtually every aspect of the SBC ILECs' wholesale performance. To implement the advanced services affiliate condition, SBC built a new corporation from the ground up, and transferred to that corporation an existing business serving thousands of customers. SBC literally had to determine which piece parts of hundreds of its systems were impacted, carve out those pieces dealing with advanced services, and at the same time keep its systems operational to meet the needs of its customers. SBC deployed xDSL in nearly 150 low-income wire centers. To meet the 13 State OSS enhancements condition, SBC participated in collaborative sessions with hundreds of CLECs, worked proactively, and devoted untold resources to the implementation of the many OSS changes growing out of those sessions.

The merger conditions impose many other requirements, each of them complex and demanding in its own way. With each, SBC has devoted the financial and managerial resources necessary to meet the Commission's requirements, and it has carefully monitored its actions to ensure compliance. As this report makes clear, these efforts have been overwhelmingly successful.

The following provides an abbreviated high-level summary of the actions taken by SBC in 2000 to implement the Merger Conditions and achieve the following five policy goals established by the Merger Conditions.

1. Promoting equitable and efficient Advanced Services deployment

As required by the merger conditions, SBC transitioned Advanced Services to affiliates structurally separate from the SBC Incumbent Local Exchange Carriers. SBC met requirements regarding the phased-in development of enhancements to existing interfaces used by unaffiliated carriers for pre-ordering and ordering Advanced Services, and provided telecommunications carriers discounts pending deployment of these enhancements. While certain discounts were not reflected on some bills, SBC has taken corrective action where needed to provide future

discounts correctly and has completed or is completing the issuance of discounts and appropriate interest retroactively. SBC provided unaffiliated carriers access to loop information, and offered interim loop conditioning rates. SBC also deployed xDSL Advanced Services in nearly 150 low-income urban and rural wire centers.

2. Ensuring open local markets

SBC reported the 20 performance measurements outlined in the Merger Conditions on a monthly basis as required. SBC eliminated flat-rate monthly charges, where they existed, for access to Operational Support Systems and held training forums in all regions of SBC to assist CLECs with OSS issues. SBC provided collocation consistent with the Commission's rules with the exception of isolated cases of untimely posting of notice of exhausted premises to the Internet and a few instances when the Company inadvertently responded to requests for collocation space after the required timeframe. SBC offered to provide most-favored-nation ("MFN") interconnection agreements and multi-state interconnection/resale agreements. SBC also offered to provide an unbundled loop discount of 25% off the lowest applicable monthly price and increased resale discounts. While some discounts were not reflected on certain bills, SBC has taken corrective action where needed to provide future discounts correctly and has completed or is completing the issuance of discounts and appropriate interest retroactively.

3. Fostering Out-Of-Region Competition

SBC installed a local switch or otherwise obtained switching capability in Boston, Miami, and Seattle, and offered facilities-based local exchange service in those cities.

4. Improving residential phone service

SBC refrained from implementing mandatory minimum monthly or flat-rate charges for InterLATA service to any in-region or out-of-region residential customer. SBC offered an enhanced Lifeline plan to states, and filed tariffs in those states where the state commissions accepted SBC's offer to provide such service. SBC provided the most detailed service quality reporting information in the industry by implementing quarterly service quality reporting requirements of the National Association of Regulatory Utility Commissioners' Service Quality White Paper and providing the Federal Communications Commission with quarterly ARMIS data. SBC also participated in the Network Reliability Interoperability Council.

5. Ensuring full compliance with all Conditions

The Independent Auditor completed, and SBC submitted to the FCC, three comprehensive audit engagement reports to the Commission on schedule as defined by the Merger Conditions.

Merger Compliance Report – March 15, 2001
SBC Communications Inc.

SBC's annual compliance report is divided into two sections. The first section provides a summary of the actions being taken to help ensure overall compliance. The second section provides an update on each Merger Condition, and the format is substantially similar, in relevant respects, to the format of the independent auditor's section of the audit reports required by the Merger Conditions.

This report demonstrates not only SBC's compliance with the Merger Conditions, but also our ongoing commitment to meet the Commission's established goals. SBC remains committed to full compliance with the Merger Conditions.

Merger Compliance Report – March 15, 2001
SBC Communications Inc.

Introduction

On October 8, 1999,[1] the Federal Communications Commission ("FCC" or "Commission") released its Report and Order ("Order") in CC Docket No. 98-141, regarding the *Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee, for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules* ("Merger Order"). Included in Appendix C of the Merger Order were Merger Conditions that affected the combined entities post-merger business operations of SBC Communications Inc. ("SBC" or "Company") and Ameritech Corporation ("Ameritech").[2] Pursuant to the Merger Conditions, Paragraph 65c requires that an annual compliance report be submitted no later than March 15 of the calendar year following the year covered by the report.

SBC provides this Annual Compliance Report for the Calendar Year 2000 ("Report Period") in compliance with Paragraph 65c. The first section of the report provides a summary of the actions taken to help ensure overall compliance and includes a discussion of the efficiencies realized as a result of the merger. The second section describes the objectives and compliance activities associated with each of the Merger Conditions and is presented in a format substantially similar to the independent auditor's report on compliance with the merger conditions. Attachment A to this report includes a discussion of the internal controls and training infrastructure that SBC utilizes to ensure ongoing compliance. This report is based on SBC's ongoing review and assessment of compliance with the Merger Conditions as of the report filing date.

SBC is committed to meeting all Merger Condition requirements and has dedicated the resources required to achieve and ensure compliance on an ongoing basis.

[1] October 8, 1999 is referred to as the Merger Close Date or "MCD" throughout this report.
[2] Note: throughout this document, the use of "SBC" or the "the Company" refers collectively to SBC Communications Inc., including Ameritech, the affiliates, and the operating companies of both companies, unless otherwise noted.

I. Summary of Compliance Activities and Merger Efficiencies

1. Assignment of Compliance Responsibilities

1.1 Corporate Compliance Officer

On September 29, 2000, Cassandra Carr, Senior Executive Vice President-External Affairs, was appointed as Corporate Compliance Officer with the approval of the Board of Directors of SBC. Prior to Ms. Carr's appointment, Charles Foster, Group President, served as Corporate Compliance Officer in 2000 until June 30, 2000 when Stan Sigman, Group President, assumed the Corporate Compliance Officer position. James Callaway, Group President, replaced Mr. Sigman as the Corporate Compliance Officer on August 2, 2000 and served until replaced by Ms. Carr. During the period covered by this report, the Corporate Compliance Officers' responsibilities included the following:

- Overseeing the implementation of the Merger Conditions;
- Monitoring SBC's compliance program and progress toward meeting all deadlines specified in the Merger Conditions; and,
- Providing periodic reports to the Commission regarding SBC's compliance as required by the Merger Conditions and consulting with the Commission on an ongoing basis regarding SBC's compliance with the Merger Conditions.

1.2 Merger Compliance Group

The Merger Compliance Group (MCG), as directed by the Corporate Compliance Officer, provided the Company with a framework for designing and implementing internal controls to ensure compliance with the merger conditions. The MCG developed a compliance plan, which included tracking each requirement of the Merger Conditions that required action on the Company's part and assignment of responsibility to an officer of the Company, who as the team leader for that Condition, was personally responsible for ensuring full compliance with the Condition in the individual business units. The MCG monitored compliance with these requirements through weekly and then later twice-monthly conference calls in which each responsible officer or delegate was required to report compliance status, both on a historical and prospective basis. The MCG also performed an oversight role to monitor to ensure designation of personnel responsible for training on the Merger Conditions across the Company. The Company also established a Merger Compliance oversight team comprised of legal counsel and the MCG regulatory staff to provide guidance regarding approval of operations or activities between the Advanced Services affiliates and the ILECs.

1.3 Audit Committee

The Audit Committee of SBC's Board of Directors met with the Corporate Compliance Officer periodically in 2000 and monitored SBC's progress in meeting the Merger Conditions.

1.4 Executive Compliance Group

Responsibility for implementing and securing compliance with each Merger Condition was assigned to officers and senior managers in the affected business units. For each of the Merger Conditions, one corporate officer or senior manager was designated as having primary responsibility for achieving compliance. Taken collectively, these individuals constitute the "Executive Compliance Group." In addition, Paul Mancini, Vice President & Assistant General Counsel, was designated as the SBC legal officer to provide legal advice and support to the Executive Compliance Group. A list of the responsible officers and their respective Merger Conditions as of December 31, 2000 is provided in Appendix 1 of this Compliance Report.

Responsibilities for the Officers in the Executive Compliance Group included the following:

- Reporting to the Corporate Compliance Officer and delegates on the status of compliance activities related to the specific Merger Conditions for which they are responsible;
- Notifying the Corporate Compliance Officer immediately of any issues, problems, or circumstances needing resolution in order for compliance activities to proceed on schedule;
- On request, certifying compliance with specific Merger Conditions and supplying documentation necessary to confirm such compliance; and,
- Ensuring compliance by their respective staffs with all records retention, document preservation, and document production requirements arising out of, or in connection with, the Merger Conditions.

1.5 Responsibilities of Business Units

Each business unit head, each organization within a business unit, and each work group was collectively responsible for bringing its units, organizations, or work groups into full compliance with the Merger Conditions and promptly remedying any situations that might lead to non-compliance. Responsibilities included investigating to determine if any organization or work group failed to detect violations, preventing recurrences of any violations within a business unit, and disciplining, on a case-specific basis, the personnel responsible for any failure resulting in non-compliance.

2. Compliance Requirements and Timelines

2.1 Compliance Requirements and Timelines

In order to provide ongoing and consistent internal controls, a compliance timeline (Federal Communications Commission's Public Notice, DA 99-2480, released November 8, 1999) was utilized as the basis for requirements. The Corporate Compliance Officer (or delegate) reviewed timelines and compliance requirements on a weekly basis through May 2000, then on a semi-monthly basis thereafter with the Executive Compliance Group, legal counsel, and the Merger Compliance MCG.

2.2 Team and Business Unit Timelines

In order to provide additional controls, individual teams and Business Units have developed their own requirements and timelines as needed for project management purposes.

3. Audit and Documentation Requirements

3.1 Annual FCC Compliance Report

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

3.2 Independent Compliance Audit

On September 7, 1999, SBC engaged Ernst & Young LLP ("E&Y") as the independent auditor to perform the examination and agreed-upon procedures engagements required by the Merger Conditions and this engagement extended through 2000. The Commission's letter of August 24, 1999 to the Company indicated its acceptance of the auditor.

The preliminary annual audit program for the calendar year 2000 was submitted to the Commission on November 12, 1999. After a series of meetings with the Commission's Audit Branch, E&Y completed the audit program on January 6, 2000, and this was noted in the Commission's January 10, 2000 letter to SBC.

4. Internal Controls and Training

The Company recognizes that implementation of an effective internal control structure is an essential element to ensure compliance with the Merger Conditions. Each member of the Executive Compliance Group was responsible for maintaining an effective internal control structure for his or her assigned Merger Conditions. Employee training has always been an integral component of the Company's corporate culture, and the Company has an extensive training infrastructure. The Company leveraged this existing infrastructure to educate its very large work force on

the obligations created by the Merger Conditions. Internal controls and training are summarized in Attachment A to this Report.

5. Merger Efficiencies

Activities during 2000 centered on implementing operational plans to integrate the functions and operations of the pre-merger SBC and Ameritech entities. Company teams focused on specific areas of the business to eliminate duplication, consolidate like work efforts across the entire new organization, and adopt best practices. These teams tracked costs necessary to implement their plans and the associated savings. These results were compared to their original integration plan to determine how their actual performance compared with their projected performance.

Merger efficiencies were realized in 2000 and resulted primarily from elimination of duplicate functions, the consolidation of operations, the re-negotiation of contractual obligations, and the adoption of best practices. Elimination of duplication was accomplished through the consolidation of operations at SBC and Ameritech in many areas of the Company, including holding company operations and many other staff operations. Examples of holding company operations that were consolidated included Corporate Finance, Human Resources, Regulatory/External Affairs, Corporate Development, Corporate Strategy, and Corporate Communications. Examples of staff operations functions that were consolidated included functions in Marketing, Sales, Network Operations, and Information Systems.

The re-negotiation of contractual obligations and the adoption and implementation of best practices at the two companies, SBC and Ameritech, commenced in 2000, and will continue into future years. Merger efficiencies realized in 2000 related to re-negotiation of contractual obligations and best practices in Fleet Operations, Real Estate, Network Operations, Sales, Advertising, Marketing, Operator Services, Training, Procurement, and Information Systems. Implementation continues beyond 2000 due to the complexity of the underlying operations, the time associated with the rollout of new technologies, and the expiration dates of contractual obligations that existed prior to the merger.

II. Discussion of Compliance by Merger Condition

Promoting Equitable and Efficient Advanced Services Deployment

1. Separate Affiliate For Advanced Services

Description and Objectives: Condition 1 requires SBC/Ameritech to provide Advanced Services (as defined in paragraph 2 of Condition 1) through one or more structurally separate affiliates. SBC Advanced Solutions, Inc. ("ASI") was formed in 1999 prior to the MCD and operated during 2000 in fulfillment of this commitment. Ameritech Advanced Data Services of Illinois, Inc., Ameritech Advanced Data Services of Indiana, Inc., Ameritech Advanced Data Services of Ohio, Inc., Ameritech Advanced Data Services of Michigan, Inc., and Ameritech Advanced Data Services of Wisconsin, Inc. (collectively referred to as "AADS") provided Advanced Services as a structurally separate affiliate in the Ameritech states prior to the Merger and continued to do so in 2000. Collectively, ASI and AADS are referred to as the Advanced Services affiliates. This Condition also set forth a set of transitional rules for: (a) the migration of Advanced Services customers from the SBC Incumbent Local Exchange Carriers ("ILECs") to the separate affiliate; (b) the provision of certain services by the ILECs to the separate affiliate; and, (c) the provision of interim line sharing and the implementation of performance measurements.

The following addresses SBC's compliance, by Business Unit, with the requirements of this condition:

A. Advanced Services Affiliates.

- Subject to the transitional mechanisms and other permissions within the Merger Conditions, SBC's separate Advanced Services affiliates operated in accordance with the structural, transactional and non-discrimination requirements under 47 U.S.C. Section 272 (b), (c), (e), and (g) of the Telecommunications Act of 1996. However, in isolated cases, transactions between the Advanced Services affiliates and the ILECs were not posted to the Internet within 10 days due to administrative delays or oversights associated with the transfer of assets and operations from the ILECs to the Advanced Services affiliates. The Company reiterated the affiliate transaction requirements to work groups potentially involved in transactions between the ILECs and the Advanced Services affiliate. In addition, employees associated with the processing and posting of affiliate transactions improved procedures to ensure that transaction information was handled promptly.
- The embedded base of ILEC Advanced Services customers in the Former SBC States was transferred to the separate Advanced Services affiliate in the required time period after the later of (i) state approval of all necessary interconnection agreements with the affiliated ILECs or (ii) approval of any tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services. However, as contemplated in Paragraph 6.e of the Merger Conditions, customers

in Connecticut were not transferred to ASI at the same time due to state-law restrictions on transferring Advanced Services from The Southern New England Telephone Company to its affiliate. The Advanced Services affiliate also provided new activations of Advanced Services no later than 30 days after the above-described prerequisite state approvals. A small percentage of ILEC embedded-base customers were manually transferred after the required date because of a problem SBC detected in the automated conversion program.

- In the Ameritech States, SBC provided all new activations of non-DSL Advanced Services through a separate Advanced Services affiliate within 30 days of approval of tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services in each state. On June 1, 2000 (within 270 days after merger closing, or July 5, 2000), the Ameritech ILECs transferred their embedded base of non-xDSL Advanced Services customers to a separate Advanced Services affiliate.
- The SBC ILECs provided interim line sharing in certain geographic areas on an exclusive basis to the Advanced Services affiliates until line sharing was provided to unaffiliated providers of Advanced Services within the same geographic areas.
- Substantial weight was given to the performance of the separate Advanced Services affiliates in setting the annual bonuses paid to officers and management employees of the separate Advanced Services affiliates.

B. ILEC – Network Planning and Engineering

- Subsequent to April 5, 2000 (within 180 days after MCD), the ILECs did not provide any prohibited network planning, engineering, design, and assignment services to the Advanced Services affiliates.

C. ILEC – Network Services

- When required by the Merger Conditions, the Advanced Services affiliate utilized the same interfaces as unaffiliated providers of Advanced Services to order facilities and operations, installation, and maintenance services from the ILECs, and the ILECs provided these facilities and services on a non-discriminatory basis.
- During 2000, each SBC ILEC required to report Performance Measures (pursuant to Appendix A of the Merger Conditions) began reporting Advanced Services affiliate results as the affiliate began operating in each state. As part of the six-month review of the Performance Measurements held on June 15, 2000, the FCC staff requested enhancements to SBC's reporting of the Advanced Services affiliates. These changes were effective August 1, 2000 and were published September 20, 2000.
- The Company filed a proposed line sharing measurement on February 22, 2000, within 10 business days of the effective date of the Commission order that the SBC ILECs must provide line sharing to unaffiliated providers of Advanced Services. As approved by the Common Carrier Bureau on June 30, 2000, a new

disaggregation of the xDSL average installation interval was implemented on October 1, 2000.

D. ILEC –Strategic Marketing

- Subsequent to April 5, 2000 (within 180 days after MCD), ILEC employees accessed the ILECs' loop information in all states where required through the same interfaces, OSS, processes, and procedures as made available to unaffiliated telecommunication's carriers, when joint marketing with the Advanced Services affiliate.

E. ILEC – Industry Markets

The Commission, in the *Second Memorandum Opinion and Order, In the Matter of Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, For Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95, and 101 of the Commission's Rules, CC Docket No. 98-141,* released September 8, 2000 ordered that permission for SBC's incumbent LECs to own and operate certain advanced services equipment installed in remote terminals and in central offices was granted, conditioned upon the terms specified in Appendix A to that Order.

The compliance activities completed in the year 2000, as required by Appendix A to the Second Memorandum and Order in CC Docket 98-141, were as follows:

By September 1, 2000, the Company:

- Established a process for providing timely specific price quotes to telecommunications carriers that requested a specific service or functionality.
- Established a standing telecommunications carrier product forum and established both a Service Definition subcommittee and an Operations subcommittee.

By September 8, 2000, the Company:

- Implemented a process to make all existing technically feasible Advanced Services features and functions available to telecommunications carriers.

By September 15, 2000, the Company:

- Offered a combined wholesale broadband service that supports both POTS and xDSL.
- Made space available in existing remote terminals in increments as small as a single shelf, and, where space was not available, offered special construction arrangements to address carriers' requests for space. In response to special construction requests, SBC was prepared to deploy future cabinets so that

approximately 15 percent of space would be made available to telecommunications carriers, or make access available to an adjacent cabinet.

- Established a process for special construction arrangements providing for telecommunications carriers access to sub-loop elements.
- Where SBC/Ameritech deployed new fiber feeder to support Next Generation Digital Loop Carrier ("NGDLC") architecture that supported both POTS and xDSL, in response to a special construction request, spare dark fiber would have been terminated on the remote terminal sites.
- Began hosting collaboratives to address operational and technical issues regarding access to NGDLC remote terminals and new types of xDSL features and functions.

By December 7, 2000, the Company:

- Offered a combined voice and data service to all telecommunications carriers. The Accessible Letter was posted to the Company's Internet page on December 8 due to a misinterpretation of the posting deadline.
- Made vendor NGDLC hardware and software specifications available through the Company's Internet page.

2. *Discounted Surrogate Line Sharing Charges*

Description and Objectives: Condition 2 required SBC to offer the Surrogate Line Sharing discount for unbundled local loops until line sharing was implemented on May 29, 2000. The discounts apply only where the SBC ILEC either provides Interim Line Sharing for new activation(s) of xDSL service to a separate Advanced Services affiliate or utilizes Interim Line Sharing to provide new activation(s) of xDSL service in the same serving wire center as the unaffiliated provider's Advanced Service. SBC was also required to waive non-recurring charges for new installations of line sharing installed to replace an unbundled local loop provided at the discounted surrogate line sharing rate.

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

- Offered surrogate line sharing discounts to unaffiliated Competitive Local Exchange Carriers ("CLECs") as required by Paragraph 14 of the Merger Conditions during the period in which the SBC ILECs were providing interim line sharing to the SBC Advanced Services affiliates. This condition expired effective on the date when line sharing was implemented on May 29, 2000.

3. *Advanced Services Operations Support Systems (OSS)*

Description and Objectives: Condition 3 requires SBC to provide options for pre-ordering and ordering components used to provide digital subscriber line and other Advanced Services. This Condition also requires SBC to provide unaffiliated carriers with access to the OSS enhancements on a specified schedule and makes provisions

for voluntary payments if dates are missed. Additionally, until OSS enhancements are deployed and the EDI interface is used by the Advanced Services affiliates for pre-ordering and ordering (at least 75 percent of pre-order inquiries and 75 percent of orders) the Advanced Services components used by the Advanced Services affiliates in the relevant geographic area, SBC is required to provide a discount of 25 percent from the recurring and nonrecurring unbundled local loop charges used to provide Advanced Services.

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

- Until developing and deploying enhancements to existing Datagate and EDI interfaces and not later than 180 days after the MCD or April 5, 2000, SBC provided telecommunications carriers within the states of Arkansas, California, Kansas, Missouri, Nevada, Oklahoma, and Texas with access to the same pre-order interfaces utilized by SBC's retail operations in those states to provide theoretical loop length information, or SBC's retail operations utilized the same Datagate and/or Verigate pre-order interfaces that were available to unaffiliated telecommunications carriers to obtain theoretical local loop length information. Additionally, SBC provided unaffiliated telecommunications carriers access to SBC's existing EDI interface for ordering within the states of Illinois, Indiana, Michigan, Ohio, and Wisconsin.
- SBC offered to provide unaffiliated telecommunications carriers with direct access to SORD or equivalent service order processing systems for pre-ordering and ordering xDSL and Advanced Services.
- SBC met the following milestones regarding the development and deployment of enhancements to SBC's existing Datagate and EDI interfaces:
  - On January 6, 2000 (prior to 90 days after the MCD, or by January 6, 2000), SBC began Phase 2 of the development and deployment of enhancements to existing Datagate and EDI interfaces.
  - On April 3, 2000 (by the extended March 31, 2000 deadline granted by the Commission in DA 00-562 released March 13, 2000 and subsequently extended to April 3, 2000 via email from the Deputy Chief, Common Carrier Bureau), SBC filed an amended Plan of Record, a list of agreed-upon items and a list of open/disputed items. Phase 2 was approved by the FCC on December 22, 2000 and SBC moved into Phase 3 at that time.
  - SBC deployed enhancements to the existing Datagate or EDI interfaces for pre-ordering and ordering xDSL and other Advanced Services in all of the required SBC states according to the Future Mode of Operation Timeline – Release Schedule in the Plan of Record filed April 3, 2000.
- SBC provided telecommunications carriers a discount of 25 percent from the recurring and nonrecurring charges for unbundled loops used to provide Advanced Services. As noted in SBC's September 1, 2000 Report of Management on Compliance with the Merger Conditions, certain discounts were not reflected on some bills. The Company implemented corrective action where needed to provide future discounts correctly and is completing the issuance of discounts and appropriate interest retroactively.

4. *Access to Loop Information for Advanced Services*

Description and Objectives: Condition 4 requires SBC to provide unaffiliated telecommunications carriers with non-discriminatory access to the same local loop information for the deployment of xDSL and Advanced Services that is available to SBC's retail operations, including the retail operations of the Advanced Services affiliates. Additionally, Condition 4 specifies timelines for the deployment of electronic pre-order OSS access to theoretical loop length, electronic pre-order Internet access to theoretical loop length, and access to loop make-up information regarding the capability of loops to support Advanced Services.

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

- SBC provided CLECs with non-discriminatory access to the same local loop information for the deployment of xDSL and Advanced Services that was available to SBC's retail operations, including the retail operations of the Advanced Services affiliates.
- SBC provided unaffiliated telecommunications carriers with non-discriminatory, electronic pre-order OSS access to the theoretical loop length on an individual address basis. This information was made available via electronic means in the states of Arkansas, California, Connecticut, Kansas, Missouri, Oklahoma, Texas and Nevada.
- SBC provided unaffiliated telecommunications carriers with non-discriminatory, electronic pre-order Internet access to theoretical loop length based upon a zip code of end users in a wire center at no additional charge by October 10, 2000 (within 12 months of the MCD).
- SBC provided unaffiliated telecommunications carriers with non-discriminatory access to loop make-up information regarding the capability of loops to support Advanced Services that is available in SBC's records, in response to address-specific written requests. Pricing for this manual process was in compliance with any applicable Commission pricing rules for Unbundled Network Elements (UNEs).

5. *Loop Conditioning Charges and Cost Studies*

Description and Objectives: Condition 5 specifies that cost studies along with proposed rates, must be filed with each state commission for conditioning xDSL loops in the SBC Service Area within each SBC State that has not already started or completed cost proceedings for this service. The cost studies and proposed rates shall be prepared in compliance with the methodology set forth in the Commission's and the relevant state commission's pricing rules for UNEs. During the interim period prior to approval of these rates, SBC will condition loops of less than 12,000 feet (based on theoretical loop length) at no charge to the Advanced Services provider.

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

- SBC filed all required cost studies with proposed rates for conditioning xDSL loops by April 5, 2000 (within 180 days of the MCD or by April 5, 2000). The proposed rates were based on FCC and relevant state commission UNE pricing requirements.
- Pending final approval of state-specific rates, no charge was assessed for conditioning loops of less than 12,000 feet (based on theoretical loop length), and authorization to perform and agreement to pay were obtained from the provider before proceeding with conditioning work identified by SBC.

6. *Non-discriminatory Rollout of xDSL Services*

Description and Objectives: In an effort to ensure that xDSL services are available to low-income consumers, this Condition provides that at least 10 percent of all rural and 10 percent of all urban wire centers be designated as low-income wire centers. Once xDSL is deployed in 20 wire centers in a given category (i.e. rural or urban) in a given state, at least 10 percent of the wire centers must be in the low-income pool.

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

- In consultation with state commissions, if the state commissions chose to engage in such consultation, SBC classified all SBC wire centers as either urban or rural wire centers by January 6, 2000 (within 90 days of the MCD).
- SBC identified the 10 percent of urban and rural wire centers within SBC in each state that have the greatest number of low-income households (Low-Income Pool) using the latest available census data.
- After April 5, 2000 (180 days after the MCD) and when SBC had deployed xDSL in at least 20 urban or 20 rural wire centers in a particular state, at least 10 percent of the urban or rural wire centers in which xDSL had been deployed were wire centers identified from the Low-Income Pool.
- Beginning on April 1, 2000 (within 180 days of the MCD), SBC began filing quarterly reports with the FCC describing the status of the xDSL roll-out.

Ensuring Open Local Markets

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

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

results provided to the aggregate of all CLECs as compared to SBC's retail performance.

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

- SBC reported, on a monthly basis and in each of its states according to the schedule established in Appendix A to the Merger Conditions, its performance in 20 measurement categories (with sub-measurements) that address functions that may have a particularly direct effect on CLECs and their customers. SBC provided the FCC staff with the required performance measurement data for each month during the year 2000 for the Southwestern Bell, Pacific Bell, Nevada Bell, and Ameritech regions. In addition, these performance measurement results were also posted to the SBC Internet web site coincident with the monthly transmittals to the FCC staff. While substantially correct, occasionally certain data were either restated or corrected prospectively.
- SBC implemented the performance measurements within the Ameritech states and in the state of Connecticut as shown in Appendix A, Attachments A-2a and A-5a of the Merger Order. SBC provided the FCC staff with the required two months of performance measurement data for measurements 2, 4-5, 10-13, 15, and 17-19 in the Ameritech states on January 6, 2000. Notice of satisfaction of this deadline was filed with the Secretary of the Commission on January 6, 2000. SBC also provided two months of performance measurement data in the Ameritech region for measurements 1, 3, 6-9, 14, 16, and 20 on March 6, 2000. Notice of satisfaction of this deadline was filed with the Secretary of the Commission on March 6, 2000. SBC provided two months of performance measurement results for the SNET service area in Connecticut on October 10, 2000. Notice of satisfaction of this deadline was filed with the Secretary of the Commission on October 18, 2000. For both the phased implementations in the Ameritech states and in Connecticut, these performance measurement results were also simultaneously posted to the SBC Internet web site. Updates to these performance measures were also included in SBC's monthly transmittal to the FCC staff and posted to the web site.
- SBC provided the Chief of the Common Carrier Bureau with notice of any changes to the design or calculation of the Carrier-to-Carrier Performance Plan adopted by the Texas or California State Commissions. SBC notified the Chief of the Common Carrier Bureau on May 1, 2000 that the Texas Public Utility Commission had ordered changes to the Texas performance measurements. As directed by the FCC on May 30, 2000, these changes were implemented for the Southwestern Bell states effective May 1, 2000. SBC further notified the Chief of the Common Carrier Bureau in September 2000 of additional changes to the business rules ordered by the Texas Public Utility Commission. As directed by the Chief, Accounting Safeguards Division ("ASD") of the FCC on November 8, 2000, SBC implemented all these measures, except as described below, for the Southwestern Bell states of Arkansas, Kansas, Missouri, and Oklahoma, according to the schedule approved by the Texas Commission. Since the ASD Chief also directed SBC at that time not to make any changes that would exclude

data from the FCC performance measurements that would in turn be measured in Texas-only measurements, SBC held in abeyance the implementation of proposed changes of measures 1, 6c, 12c, and 13c.

- SBC notified the Chief of the Common Carrier Bureau on May 25, 2000 that by order of the California Public Utility Commission, changes had been made to that state's business rules. As directed by the Deputy Chief of the Common Carrier Bureau on May 31, 2000, SBC implemented these changes to the measurements effective June 1, 2000 in the states of California and Nevada.
- The Carrier-to-Carrier Performance Plan was effective for the SBC service area within each state, except for Connecticut, until the earlier of (i) 36 months after the date that SBC was first potentially obligated to make Plan payments for that state, or (ii) the first date on which SBC was first authorized to provide in-region, interLATA services in that state. The FCC approved the Texas 271 application on June 30, 2000, effective July 10, 2000 (DA 00-1559, Released July 12, 2000). Accordingly, SBC provided the final report of Texas performance measures for June 2000 activity on July 20, 2000.
- The Carrier-to-Carrier Performance Plan attached the obligation for SBC to make voluntary payments to the U.S. Treasury in all SBC states, except Connecticut, for performance measurement results 270 days after the MCD. Effective August 1, 2000, SBC's performance results in all states except Connecticut and Texas were used to calculate voluntary payments to the U.S. Treasury as set forth in the Merger Conditions. On December 20, 2000, SBC remitted a voluntary payment to the U.S. Treasury for performance measurements missed during August, September, and October 2000 and provided notification to the Commission that payment had been made on December 20, 2000.
- Pursuant to the requirement that SBC and the Chief of the Common carrier Bureau shall jointly review the 20 measurements on a semi-annual basis, meetings were held between the FCC staff and SBC on June 15, 2000 and November 30, 2000 to review the performance measurements. As a result of the June 15 meeting, SBC agreed to revise its reporting for the Advanced Services affiliate, subject line sharing sub-measurements to a low volume multiplier, and substitute a provisioning interval measure for coordinated hot cuts/frame due time in lieu of the original percent premature disconnect performance measure in the Texas business rules. As directed by the Common Carrier Bureau on July 31, 2000, these changes were effective August 1, 2000. With the exception of the scheduled Southwestern Bell and Ameritech implementation of version 1.7 of the business rules during 2001, the dialogue concerning performance measure review begun at the second six-month review is still in progress.

8. *Uniform and Enhanced OSS*

Description and Objectives: Condition 8 generally provides for the development and deployment of uniform, electronic OSS throughout the 13-state SBC Service Area. In particular, this condition requires SBC to develop and deploy uniform application-to-application and graphical user interfaces that support pre-ordering, ordering, provisioning, maintenance/repair, and billing. It also requires SBC to develop and

deploy uniform business rules for completing CLEC local service requests, or a software solution that ensures that CLEC-submitted local service requests are consistent with SBC's business rules. Condition 8 further requires SBC to develop and offer to state commissions a uniform change management process. In addition, it requires SBC to offer to develop both direct access to SBC's service order systems and enhancements to the existing Electronic Bonding Interface ("EBI") interface for OSS that support maintenance and repair services for a period of 30 months following the MCD.

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

- SBC completed a publicly available Plan of Record ("POR") consisting of an overall assessment of SBC's existing OSS interfaces, business processes and rules, hardware capabilities, data capabilities, and SBC's plan for developing and deploying uniform application-to-application and graphical user interfaces for OSS on March 6, 2000 (within 150 days after the MCD or March 6, 2000). Phase 1 was completed March 6, 2000.
- On May 22, 2000, SBC filed an amended POR, a list of agreed upon items, and a list of open/disputed items. SBC and the CLECs continued to discuss the unresolved issues in dispute in an effort to resolve or narrow the list of disputed items. On August 8, 2000, SBC filed an updated amended POR, list of agreed upon items, and a list of open/disputed items. The amended POR was approved by the FCC on September 22, 2000, and SBC moved into Phase 3 at that time.
- The Company has offered to develop direct access to SORD and Ameritech's and SNET's equivalent service order processing systems, and to develop enhancements to the existing EBI for OSS that support maintenance and repair services.
- SBC still is in Phase 1 (the development phase) of the Uniform Business Rules plan of record. The target date for completion of Phase 1 originally was February 19, 2001, 150 days following approval of SBC's Uniform and Enhanced OSS Plan of Record. However, the Commission extended the target date to March 15, 2001 in DA 01-454, released February 20, 2001. The Commission further extended the target date to March 15, 2001 in DA 01-594, released March 7, 2001. The Commission also ordered an additional period to comment on SBC's proposed Business Rules Plan of Record. As a result, the Phase 2 collaborative sessions will not begin until April 30, 2001.
- On November 1, 2000 (within 12 months after commencement of negotiations on November 1, 1999), SBC notified state commissions of the status of SBC's plan for a uniform change management process ("CMP"). Consistent with Paragraph 32 of the Merger Conditions, SBC stated its intent to implement those components of the process on which agreement was reached, where feasible, and offered the plan on a provisional basis to the states. SBC requested additional time to continue negotiations with the participating CLECs and the FCC granted an extension until December 7, 2000. On December 7, 2000, when SBC believed that it had reached agreement with the CLECs on a 13-State CMP, SBC verbally notified the FCC that SBC had agreement and that the revised CMP would be

formally filed on December 8, 2000. SBC filed the 13-State CMP with the Commission on December 8, and offered to amend its interconnection agreements to include the CMP. Subsequent actions by a signatory to the 13-State CMP (seeking to change a key component of the plan at the state level) called into question whether SBC ever reached an agreement on the 13-State CMP. Based on discussions with Commission staff and CLECs, agreement was reached that the 13-State CMP was applicable to multi-state matters. Although SBC believes that the 13-State agreement should apply in all instances, we agreed in early 2001 to commence implementation of the 13-State agreement.

- Required notices regarding satisfaction of the target date for completion of various phases of the OSS Improvement Plan were completed within the timeframes required by the Merger Conditions.

9. *Restructuring OSS Charges*

Description and Objectives: Condition 9 requires SBC to eliminate all charges to the Remote Access Facility and Information Services Call Center and eliminate manual processing charges in excess of the charges that apply for processing similar orders submitted electronically for orders of 30 lines or less where SBC does not make an electronic interface available.

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

- The Company continued elimination of all charges to the Remote Access Facility and Information Services Call Center and the elimination of manual processing charges in excess of the charges that apply for processing similar orders submitted electronically for orders of 30 lines or less where SBC does not make an electronic interface available.

10. *OSS Assistance to Qualifying CLECs*

Description and Objectives: Condition 10 contains specific provisions for SBC to adopt measures for assisting Qualifying CLECs in using SBC's OSS. Under this Condition, SBC is required to provide free training and OSS expert teams for CLECs who self-certify as being small CLECs (i.e., with annual revenue under $300 million).

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

- By January 6, 2000 (within 90 days of the MCD), SBC identified and discussed in one or more CLEC forums training and procedures beneficial to Qualifying CLECs operating in the SBC service area.
- In several different forums held from January 25 through February 2, 2000 (within 120 days after the MCD or February 7, 2000), SBC notified all Qualifying CLECs certificated and operating in SBC States of training and procedures offered to Qualifying CLECs. SBC subsequently provided training to requesting CLECs.

11. Collocation Compliance

Description and Objectives: Condition 11 requires SBC to provide collocation consistent with the FCC's rules[3]. Furthermore, the Condition requires that SBC waive 100 percent of the total non-recurring collocation costs for certain instances of missed due dates.

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

- SBC retained E&Y to perform an examination engagement and issue an attestation report on the Company's compliance with the FCC's collocation rules during the period from October 8, 1999 to June 8, 2000. On August 7, 2000, SBC issued its assertion and E&Y issued its attestation report regarding the Company's compliance for that period.
- The Company maintained the policy to issue refunds of 100 percent of the total non-recurring collocation costs to telecommunications carriers for collocation missed due dates in excess of 60 days.
- Details on compliance and exceptions to compliance of Condition 11 from October 8, 1999 through June 8, 2000 are further detailed in SBC's August 7, 2000 Report of Management on Compliance with the FCC's Collocation Rules. For the period June 9, 2000 to December 31, 2000, SBC provided collocation consistent with the FCC's collocation rules, except for a few instances when the Company inadvertently responded to requests for collocation space after the required timeframe.

12. *Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements*

Description and Objectives: Condition 12 facilitates market entry by CLECs throughout the SBC region in two ways:

1) Offering telecommunications carriers within the SBC region any new arrangement or UNE secured by SBC outside of its region; and,
2) Making any interconnection arrangement or UNE negotiated by SBC or its affiliates in one SBC state available in all other states throughout its region.

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

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[3] *I.e.*, Collocation Rules established in *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, *First Report and Order* (FCC 99-48), 14 FCC Rcd 4761 (1999)), as modified by *GTE Service Corporation v. FCC*, 205 F.3d 416 (D.C. Cir. 2000) ("*GTE Service Corporation*"), and as modified and expanded by *Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket Nos. 98-147and 96-98, *Order On Reconsideration And Second Further Notice Of Proposed Rulemaking In CC Docket No. 98-147 And Fifth Further Notice Of Proposed Rulemaking In CC Docket No. 96-98 (FCC 00-297)*, 15 FCC Rcd 17806 (2000), as modified by the waiver granted to SBC in *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, *Memorandum Opinion and Order (DA 00-2528)*, released November 7, 2000 ("*Waiver Order*"); and collocation rules codified in 47 C.F.R. Sections 51.319(a)2(iv), 51.321 and 51.323 as modified by *GTE Service Corporation* and by the waiver granted to SBC in the *Waiver Order*.

- The Company complied with the requirements of this Condition by making available to telecommunications carriers eligible service arrangements (i.e., interconnection arrangements or UNEs) to which the Company was a party either as the incumbent in its 13-state region or as a telecommunications carrier outside of its 13-state region. The Company posted approved out-of-region agreements secured by SBC to the Company's Internet web site.

13. *Multi-State Interconnection and Resale Agreement*

Description and Objectives: Condition 13 requires SBC to offer telecommunications carriers generic interconnection and/or resale agreements covering multiple SBC states. Pricing under a multi-state generic agreement shall be established on a state-by-state basis, and SBC shall not be under any obligation to enter into any arrangement for a state that is not technically feasible and lawful in that state. This Condition facilitates the negotiation process and reduces negotiation costs and delays.

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

- The Company continued to make available multi-state interconnection/resale agreements throughout 2000 and entered into multi-state interconnection and/or resale agreements pursuant to requirements that pricing would be established on a state-by-state basis and that approval of the agreement in one state would not be a precondition for implementation in another state.

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

Description and Objectives: Condition 14 requires that SBC offer a Promotional Discount program whereby a CLEC can purchase at a discount, a basic unbundled network element facility for use in providing residential telephone service to its end user customers. Each loop sold during the promotional period is allowed the promotional discount for a period of three years. This Condition provides an offering window that is the latest of the following: 1) 24 months after commencement of the offering window period; 2) the first day on which SBC is authorized to provide in-region, interLATA services in the relevant state; or 3) the first date on which SBC provides facilities-based telephone exchange service to at least one customer in each of the 15 out-of-territory markets pursuant to paragraph 59 of the Merger Conditions. The offering window may end sooner in a state than provided above if and when a maximum number of loops is reached in a given state. SBC shall provide notice to CLECs when 50 percent and 80 percent of these maximum numbers are reached in each SBC state.

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

- The Company continued to offer the unbundled loop discount required by this Condition during Report Period.

- Internal processes and procedures ensured the Company's wholesale business units were responsive to telecommunications carriers' requests for the unbundled loop discount. As noted in SBC's September 1, 2000 Report of Management on Compliance with the Merger Conditions, certain discounts were not reflected on some bills. The Company implemented corrective action where needed to provide future discounts correctly, and issued discounts and appropriate interest retroactively.
- The reporting thresholds towards the maximum number of unbundled local loops that SBC was required to provide at the promotional discounted price were not met in any state during 2000.

15. *Carrier-to-Carrier Promotions: Resale Discount*

Description and Objectives: Condition 15 requires SBC to offer CLECs promotional resale discounts on telecommunications services that SBC provides at retail to subscribers who are not telecommunications carriers, where such services are resold to residential end user customers. The offering window for Promotional Resale Discounts in each state shall be either 36 months after commencement of the offering, or the month following the date when the sum of resold lines in service in a state at the Promotional Resale Discounts plus the quantity of Promotional End-to-End UNE Combinations in service in the state reaches a maximum state-specific quantity. SBC is required to notify CLECs when thresholds of 50 percent and 80 percent of the maximum sum of Promotional Resale lines and UNE Combinations are reached.

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

- The Company continued to offer the promotional resale discount required by this Condition during 2000.
- Internal processes and procedures ensured the Company's wholesale business units were responsive to telecommunications carriers' requests for the promotional resale discount. As noted in SBC's September 1, 2000 Report of Management on Compliance with the Merger Conditions, certain billing discounts were not reflected on some bills. The Company experienced isolated problems in correctly discounting resale toll usage. The Company implemented corrective action where needed to provide future discounts correctly and is completing the issuance of discounts and appropriate interest retroactively.
- The reporting thresholds towards the maximum number of resold loops that SBC was required to provide at the promotional discounted price were not met in any state during the Report Period.

16. *Carrier-to-Carrier Promotions: UNE Platform*

Description and Objectives: Condition 16 requires SBC to offer CLECs Promotional End-to-End UNE Combinations for the provisioning of residential POTS service and Basic Rate Interface ("BRI") Integrated Services Digital Network ("ISDN"). This condition provides for the combination of unbundled network elements into an

integrated service for use by CLECs in providing service to residential end user customers. The offering window for Promotional End-to-End UNE Combinations in each state shall be either 36 months after commencement of the offering, or the month following the date when the sum of resold lines in service in a state at the Promotional Resale Discounts plus the quantity of Promotional End-to-End UNE Combinations in service in the state reaches a maximum state-specific quantity. SBC is required to notify CLECs when thresholds of 50 percent and 80 percent of the maximum sum of Promotional Resale lines and UNE Combinations are reached.

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

- The Company continued to offer the UNE platform promotion required by this Condition during the Report Period and provided the UNE platform promotion to requesting telecommunications carriers.
- Internal processes and procedures ensured the Company's wholesale business units were responsive to telecommunications carriers' requests for the UNE platform promotion.
- The reporting thresholds towards the maximum number of promotional UNE platforms that SBC was required to provide were not met in any state during the Report Period.

17. *Offering of UNEs*

Description and Objectives: Condition 17 requires that SBC confirm and continue to make available to telecommunications carriers within each of the SBC States, such UNEs or combinations of UNEs that were made available in the respective state under SBC's or Ameritech's local interconnection agreements in effect on January 24, 1999. In addition, these UNEs are to be made available under the same terms and conditions that such UNEs or combinations of UNEs were made available on that date. SBC must continue to make these UNEs available until the earlier of (1) the date the Commission issues a final order in its UNE remand proceeding in CC Docket No. 96-98 finding that the UNEs or combination of UNEs is not required to be provided by SBC in the relevant geographic area; or, (2) the date of a final, non-appealable judicial decision providing that the UNE or combination of UNEs is not required to be provided by SBC in the relevant geographic area.

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

- The Company complied with this Condition by continuing to make available all UNEs or combinations of UNEs offered as of January 24, 1999, under the same terms and conditions that such UNEs or combinations of UNEs were made available on that date.

18. *Alternative Dispute Resolution through Mediation*

Description and Objectives: Condition 18 required that SBC implement, subject to the appropriate state commission's approval and participation, an alternative dispute resolution ("ADR") mediation process to resolve carrier-to-carrier disputes regarding the provision of local services, including disputes related to existing and effective interconnection agreements. A specific process for Alternative Dispute Resolution through Mediation was included in Attachment D to Appendix C of the Merger Conditions.

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

- This condition was implemented in 1999, and ADR remained available in 2000.

19. *Shared Transport in Ameritech States*

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

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

- On October 9, 2000 (within 12 months after merger closing or October 10, 2000), SBC offered availability of shared transport in Ameritech States under terms and conditions, other than rate structure and price, that were substantially similar to the most favorable terms SBC offered to CLECs in Texas as of August 27, 1999.
- On October 9, 2000 (within 12 months after merger closing or October 10, 2000), SBC withdrew the interim shared transport offering that was originally made available prior to merger closing.

20. *Access to Cabling in Multi-Unit Properties*

Description and Objectives: Condition 20 requires SBC to offer for 12 months after the MCD to conduct trials in five cities with CLECs to provide them with access to cabling within Multi-Dwelling Units premises ("MDUs") and multi-tenant premises housing small businesses ("MTUs"). At the conclusion of a requested trial SBC is to negotiate interconnection agreements with the CLEC community for access to cabling that SBC owns and controls in multi-unit properties. In addition, when hired to install new cables in new or retrofitted MDUs, SBC must provide written notice to developers and property owners stating (unless the property owner objects) that SBC will install and provide new cables to a single point of interconnection.

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

- SBC maintained its offer until 12 months after the MCD to conduct trials to identify procedures and associated costs required to provide CLECs with access to cabling within MDUs and MTUs.
- SBC, when hired to install new cables in a new or retrofitted MDU, sent letters to developers and property owners stating that, unless the property owner objected, SBC would install and provide new cables to a single point of interconnection. This offering was contingent upon the property owner or third party owning and controlling the cabling beyond the single point of interconnection.

Fostering Out-of-Territory Competitive Entry (National-Local Strategy)

21. Out-of-Territory Competitive Entry (National-Local Strategy)

Description and Objectives: Condition 21 requires SBC to enter at least 30 major markets as a facilities-based competitive provider of local services to business and residential customers as chosen from the list of 50 markets listed in Attachment E to the Merger Order. SBC was required to enter the Boston, Miami, and Seattle markets within 12 months of the MCD. SBC will be required to enter an additional 12 markets within 18 months of the MCD, and the remaining 15 markets the later of (i) 30 months after the MCD, or (ii) 60 days after the date upon which SBC first holds valid authorization to provide originating voice and data interLATA services to at least 60 percent of all access lines (as reported under the Commission's Part 43 rules) served by SBC's ILECs (including SNET).

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

- SBC installed a local switch or otherwise obtained switching capability in Boston, Miami, and Seattle before October 8, 2000 (12 months after the MCD).
- SBC provided facilities-based local exchange service to three unaffiliated business and/or non-employee residential customers in Boston, Miami, and Seattle before October 8, 2000 (12 months after the MCD).
- On October 12, 2000 SBC filed a notice with the Secretary of the Commission regarding satisfaction of the requirement to install a local switch for new markets or otherwise obtain switching capability in Boston, Miami, and Seattle and satisfaction of the requirement to provide facilities-based local exchange service to three unaffiliated business and/or non-employee residential customers in Boston, Miami, and Seattle.

Improving Residential Phone Service

22. InterLATA Services Pricing

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

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

- SBC did not charge minimum monthly or flat-rate charges to any residential wireline customers in any in-region state where it had authority to offer interLATA services during 2000, nor to any out-of-region residential wireline customers in 2000.

23. *Enhanced Lifeline Plans*

Description and Objectives: Condition 23 requires SBC to offer a Lifeline universal service plan to low-income residential subscribers in each of its states, upon acceptance of the state commissions within 12 months of presentation of the offer. The terms and conditions offered are to be similar to the Ohio Universal Service Assistance ("USA") Lifeline Plan as set forth in Ameritech Ohio's Alternative Regulation Plan. If adopted, SBC is required to maintain its enhanced Lifeline plan in a state for no less than 36 months.

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

- SBC filed tariffs in states that accepted the enhanced Lifeline offer within 60 days of such acceptance. In Ohio, SBC filed a letter with the Ohio Commission offering to extend its existing USA Lifeline plan until January 6, 2003. In the remaining states, either the enhanced Lifeline plan was rejected or the offer has sunset.
- Discounts of up to $10.20 per month, as required by the agreement, were applied where the enhanced Lifeline plan has been implemented.
- SBC established toll-free access numbers for voice or fax communication with current and potential customers, and modified voice response units at its service centers to incorporate enhanced Lifeline information for calls in which customers express an interest in obtaining new service where the enhanced Lifeline plan has been implemented.
- SBC established enhanced promotional budgets to make potential customers aware of the enhanced Lifeline plan or other programs that benefit low-income consumers, and expenditures are on track to meet required minimum annual promotional budget levels as required.
- In those states where the plan has been implemented, appropriate methods and procedures were put in place to implement operational provisions of the enhanced Lifeline plan regarding payment arrangements for past due bills and no deposits are required for local service.
- In a state where the enhanced Lifeline plan was implemented, existing Lifeline plan customers who would benefit were switched to the enhanced Lifeline plan.

24. Additional Service Quality Reporting

Description and Objectives: Condition 24 requires SBC to file on a quarterly basis, state-by-state service quality reports in accordance with the National Association of

Regulatory Utility Commissioners (NARUC) White Paper and ARMIS 43-05 reporting requirements. The data required by this condition shall be included on a Company Internet page or made available to relevant the state commissions. The first service quality reports were due on January 6, 2000, except for California and Nevada. The reports for California and Nevada were due on April 5, 2000.

- SBC filed with the FCC's Accounting Safeguards Division's ("ASD") Reporting Management and Analysis Branch state-by-state service quality reports on a quarterly basis, as required. SBC reported ARMIS local service quality results on a quarterly basis in accordance with Table 1 of ARMIS report No. 43-05. Monthly reports following the guidelines in the NARUC White Paper were also prepared and submitted on a quarterly basis. Both sets of service quality data were also posted on the SBC Internet web site within the timeframes specified in the Merger Conditions.
- Implementation of the reporting requirements under this merger condition was completed ahead of schedule. NARUC White Paper Service Quality Reports and ARMIS Reports for the third quarter 1999 were provided to the ASD staff via e-mail on December 23, 1999. These results were posted to the SBC web site on December 17, 1999. The reports were provided to the Commission staff on compact disk on February 22, 2000 (for 4Q1999), May 22, 2000 (for 1Q2000), August 21, 2000 (for 2Q2000) and November 20, 2000 (for 3Q2000). Reports were also posted to the SBC Internet web site coincident with the transmittal of the files.

25. *NRIC Participation*

Description and Objectives: Condition 25 requires that SBC continue to participate in the Network Reliability and Interoperability Council ("NRIC").

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

- SBC senior management participated in NRIC V Steering Committee meetings held on March 20, 2000 and August 23, 2000. Further, SBC participated in other NRIC-sponsored meetings through its membership in the United States Telephone Association and the National Telecommunications Association. SBC also supported, provided representation to, and participated in NRIC subcommittees 2.A2 (Best Practices-Packet Switching) and 2.B1 (Data Reporting and Analysis for Packet Switching).

Ensuring Compliance with and Enforcement of These Conditions

26. *Compliance Program*

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

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

- A senior corporate officer served as Compliance Officer throughout 2000.
- On March 15, 2000, the Company filed its annual compliance report accurate to the best of its knowledge and belief at the time it was filed, which detailed its compliance with the Merger Conditions for Calendar Year 1999. On August 2, 2000, the Company filed an errata to the annual compliance report, which included minor corrections and corrections of typographical errors, with the FCC. None of the modifications had an impact on the Company's compliance with the Merger Conditions.
- The Company's Report of Management on Compliance with the Merger Conditions dated August 31, 2000 included Assertions 7a and 7b which reflected the results of on-going review and analysis conducted subsequent to the March 15, 2000 compliance report date. Also as disclosed in The Company's Report of Management on Compliance with the Merger Conditions dated August 31, 2000, subsequent to issuance of the annual compliance report, the Company identified certain billing errors to telecommunications carriers which occurred during 2000.

27. *Independent Auditor*

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

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

- SBC engaged an independent auditor, acceptable to the FCC, prior to the MCD, and this engagement extended through 2000.
- E&Y informed the Company that E&Y submitted a preliminary Compliance Audit program for the audit period 2000 for the FCC's review on October 16, 2000. Pursuant to Condition 1 of the Merger Conditions, SBC also engaged E&Y to perform an agreed-upon procedures engagement for the audit period 2000 regarding compliance with the separate Advanced Services affiliate requirements of the Merger Conditions. SBC granted the independent auditor access to all books, records, operations, and personnel for the audits.
- On January 6, 2000 (by 90 days after merger closing, or January 6, 2000), SBC made good faith efforts with the Chief of the Common carrier Bureau and the independent auditor to determine the procedures to be used in the agreed-upon procedures engagement regarding compliance with the separate Advanced Services affiliate requirements.
- On September 1, 2000, SBC filed with the FCC E&Y's Report of Independent Accountants on SBC's Report of Management on Compliance with the Merger Conditions regarding the Company's compliance during the period October 8, 1999 through December 31, 1999. Condition 24 was excluded from this audit report. On August 14, 2000, the Commission granted SBC an extension to file the Condition 24 report, until December 31, 2000. The Commission subsequently

approved an additional extension for the audit report for Condition 24 until January 4, 2001. The audit report for Condition 24 for the audit period, October 8, 1999 to December 31, 1999 was filed on January 4, 2001.

- A separate auditor's report on Compliance with the FCC's Collocation Rules (Condition 11) for the period October 8, 1999 to June 8, 2000 was filed on August 8, 2000 with the FCC.
- On September 1, 2000, SBC filed with the FCC the Auditor's Report of Independent Accountants on Applying Agreed-Upon Procedures for 1999 in accordance with the separate Advanced Services affiliate requirements of the Merger Conditions.

28. *Enforcement*

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

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

- As indicated in the response for Condition 7, SBC made a voluntary payment to the U.S. Treasury on December 20, 2000 related to performance measurement requirements.
- The FCC's Enforcement Bureau, in its Notice of Apparent Liability for Forfeiture ("NAL"), File No. EB-00-1H-0432 released December 20, 2000, alleged that SBC failed to report certain performance data in accordance with its published Business Rules adopted in the Carrier-to-Carrier Performance Plan. On January 19, 2001, SBC filed a response which expressed that the NAL is unwarranted, for the reasons stated in such response. Resolution of the Commission's action is pending.
- The FCC's Enforcement Bureau, in its NAL, File No. EB-00-1H-326a released January 18, 2001, alleged that in 2000, SBC violated the Commission's rule regarding the timing of the posting of notices of premises that have run out of collocation space. On February 20, 2001 SBC filed a response which expressed that the NAL was unwarranted, for the reasons stated in such response. Resolution of the Commission's action is pending.

29. *Sunset*

Description and Objectives: Condition 29 generally provides that all Conditions shall cease to be effective, and shall no longer bind SBC in any respect, 36 months after the MCD. Condition 29 recognizes four principal exceptions to the "MCD plus 36 months" rule: (a) instances where other termination dates are specifically established; (b) Conditions requiring SBC to provide Advanced Services through one or more separate affiliates for a period beyond the MCD plus 36 months; (c) Conditions which become effective or operational after the merger Closing Date; and (d) Conditions

whose duration is extended for non-compliance in accordance with Paragraph 69 of the Conditions.

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

- Condition 2: Discounted Surrogate Line Sharing Charges sunset in 2000 when line sharing was implemented on May 29, 2000.
- Condition 7: Carrier-to-Carrier Performance Plan sunset in 2000 with respect to Texas performance measures when the Commission approved the Texas 271 application on June 30, 2000, effective July 10, 2000. Accordingly, SBC provided the final report of Texas performance measures for June 2000 activity on July 20, 2000.
- Condition 20: Access to Cabling in Multi-Unit Properties sunset in 2000 with respect to the Company's obligation to offer to conduct trials with interested CLECs to identify procedures and associated costs for providing CLECs with access to cabling in MDUs and MTUs for 12 months after the MCD.
- Condition 23: Enhanced Lifeline Plans sunset in 2000 with respect to expiration 12 months after the MCD of SBC's offer to the state commissions to implement enhanced Lifeline services in their respective states.

30. Effect of Conditions

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

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

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

Date: 3-13-01

SBC Communications Inc.

By: C C Carr

Cassandra Carr
Senior Executive Vice-President
External Affairs
SBC Compliance Officer

Attachment A

Sufficiency of Internal Controls for Complying with the Merger Conditions

The Corporate Compliance Officer and the MCG provided the Company with a framework for designing and implementing internal controls to ensure compliance with the merger conditions. The MCG developed a compliance plan, including tracking each requirement of the Merger Conditions that required action on the Company's part and assigned responsibility to an officer of the Company, who as the team leader for that Condition was personally responsible for ensuring full compliance with the Condition in the individual business units. The MCG monitored compliance with these requirements through weekly, and then later twice monthly, conference calls in which each responsible officer or delegate was required to report compliance status, both on a historical and prospective basis. The Company also established a Merger Compliance oversight team comprised of legal counsel and the MCG regulatory staff to provide guidance regarding and prerequisite approval of operations or activities between the Advanced Services affiliates and the ILECs.

The MCG facilitated training on the Merger Conditions across the Company. At the corporate level, the MCG established an interactive Intranet-based training course and posted various training materials on a Company Intranet site. The MCG also monitored to ensure a training coordinator had been designated for each impacted business unit. In addition, the MCG presented Merger Compliance training.

The Company's controls addressed the requirements and goals to meet the ILECs' non-discriminatory obligations with respect to the Advanced Services affiliates, promote the deployment of advanced services by competitors, ensure open local markets, and improve residential phone service. Each business unit within the Company was assigned the responsibility for ensuring its internal control structure was sufficient to ensure compliance with the Merger Conditions. Internal controls were monitored by the business units and the MCG through tracking status of compliance activities and informing senior management and the MCG group on the status of compliance with specific requirements created by the Merger Conditions.

As a corporate-wide policy to prevent the inadvertent transfer of nonpublic information from the ILECs to Advanced Services affiliates, employees within some affiliates that provided services for the entire SBC family of companies were siloed into separate groups performing services on behalf of the ILECs and on behalf of the Advanced Services affiliates.

The Advanced Services affiliates were designed and organized to be structurally separate from the ILECs. Separate operating procedures were developed for the Advanced Services affiliates' business activities, and these procedures specifically addressed the restrictions and requirements on interaction with the SBC ILECs, as imposed by the Merger Conditions. Methods and procedures ("M&P") at the Advanced Services affiliates were designed pursuant to restrictions and requirements of the Merger

Conditions. M&P were a primary training tool to ensure employees performed specific business procedures in compliance with the Merger Conditions.

Training at the ILECs addressed key topics such as what services could be provided to ASI, the required terms and conditions for providing services, the protection for proprietary information, and permitted and prohibited activities when performing joint marketing. Each ILEC assigned work groups dedicated to performance measurements and data validation on an on-going basis to ensure the accuracy and completeness of all data and calculations. Managers were provided with training on general merger issues, including merger impacts, dates, conditions, public interest, and goals of the merger, and how to handle inquiries about the merger. The line managers then conducted training with front-line employees on general merger issues to ensure an understanding of how the merger impacted their jobs and how to achieve maintain compliance.

Appendix 1

FCC Merger Condition Responsible Officers as of December 31, 2000

Condition	Officer
Promoting Equitable and Efficient Advanced Services Deployment	
1 **Separate Affiliate for Advanced Services**	
A. SBC Advanced Solutions, Inc. (ASI) and Ameritech Advanced Data Services, Inc. (AADS	J. Atterbury
B. Network Planning and Engineering	R. Ireland
C. Network Services	V. Taylor
D. Marketing	C. Rudinck R Stephenson M. Turner
E. Industry Markets	J. Stankey
2 Discounted Surrogate Line Sharing Charges	J. Stankey
3 Advanced Services OSS	E. Glotzbach
4 Access to Loop Information for Advanced Services	J. Stankey
5 Loop Conditioning Charges and Cost Studies	P. La Schiazza
6 Non-discriminatory Rollout of xDSL Services	J. Atterbury
Ensuring Open Local Markets	
7 Carrier-to-Carrier Performance Plan (Incl. Performance Measures)	M. Gilliam
8 Uniform and Enhanced OSS	E. Glotzbach
9 Restructuring OSS Charges	J. Stankey
10 OSS Assistance to Qualifying CLECs	J. Stankey
11 Collocation Compliance	R. Ireland
12 Most-Favored-Nation Provisions (Out-of-Region and In-Region)	J. Stankey
13 Multi-State Interconnection and Resale Agreements	J. Stankey
14 Carrier-to-Carrier Promotions: Unbundled Loop Discount	J. Stankey
15 Carrier-to-Carrier Promotions: Resale Discount	J. Stankey
16 Carrier-to-Carrier Promotions: UNE Platform	J. Stankey
17 Offering of UNEs	J. Stankey
18 Alternative Dispute Resolution through Mediation	J. Stankey
19 Shared Transport in Ameritech States	J. Stankey
20 Access to Cabling in Multi-Unit Properties	V. Taylor
Fostering Out-of-Territory Competitive Entry - (National-Local Strategy)	
21 Out-of Territory Competitive Entry (National-Local Strategy)	L. Champion
Improving Residential Phone Service	
22 InterLATA Services Pricing	R. Stephenson
23 Enhanced Lifeline Plans	P. La Schiazza
24 Additional Service Quality Reporting	V. Taylor
25 NRIC Participation	V. Taylor
Ensuring Compliance with and Enforcement of These Conditions	
26 Compliance Program	M. Gilliam
27 Independent Auditor	M. Gilliam
28 Enforcement	M. Gilliam
29 Sunset	P. Mancini
30 Effect of Conditions	P. Mancini