COPY Z

# SO. BELL Item-#6

DOCUMENT STUTES TO FRATE

00059 JAN-3 #

FPSC-RECORDS/REPORTING

Brider # F g IV (AM 6

...

, . .

14

1.,

١..

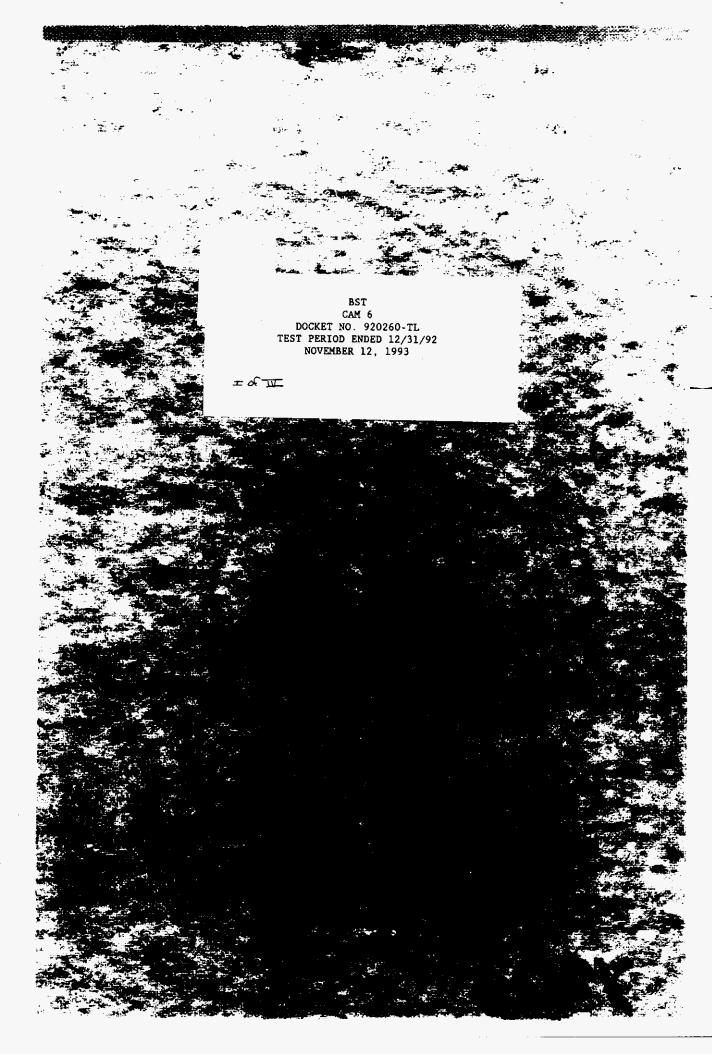
.,;

1,1

...

ļ.,

No. Mo



CONTIDENTIAL

Southern Bell Tel. & Tel. Co. FPSC Docket No. 920260-TL Audit Date: 06/29/93 Amended Response Item No. 6-014 Page 1 of 1

- Request: A Provide descriptions of all incentive programs adopted since January 1, 1984 to encourage voluntary separation from:
  - (I) BellSouth Corporation
  - (II) BellSouth Telecommunications and its predecessors
  - B Provide the expenses by year, by account, and by organizational entity incurred as part of the voluntary separation programs. Provide a narrative description of the expenses incurred and all assumptions such as deferrals and amortization periods.
  - C Identify the number of employees electing to accept the terms of each voluntary separation program.

Response: The Company amends its response of July 14, 1993 as follows:

A. See Attachment A for descriptions of incentive programs in effect since January 1, 1984 to encourage voluntary separation for management employees.

Also see Attachment B for excerpts from CWA contracts containing voluntary separation information for non-management employees.

- B. This information is in the process of being compiled by Comptrollers. The Company will provide the requested information or a status report on or before October 25, 1993.
- C. See Attachment C for the number of employees electing to separate by separation program, by company.

These attachments are being sent in the overnight mail on October 15, 1993.

Date Provided: October 15, 1993

# SET B

# **REVIEW OF**

# **COST ALLOCATION PROCESS**

# Audit Workplan Cross Reference:

<u>Procedure</u>	<u>Workpaper</u>		
II.A.3.	A2 - 2A		
II.B.2.	A2 - 2B		
II.C.1.	A2 - 2C		
11.C.2.	A2 - 2C		
III.C.1	A2 - 3C		
III.C.2	A2 - 3C		
III.D.1. through 5.	A2 - 3D		
V.A.1. through 11.	A2 - 5A		
<del>-</del>	A2 - 5B		
V.B.A. through 7.	A2 - 5D		
V.D.1. through 3.	A2 - 5E		
V.E.1. through 4.			
V.F.1. through 4.	A2 - 5F		

No description of lepton echartes provided in assumento 6-024.

No description of allocation bases on reasons underlying selection of spentine advertism been in response to 6-047. Response to 6-047 received by Bell 6/29/93 was not received outsil 9/20/93. Too late for meaningful bollow-up data requests and for intervisors.

BSC Coshe of \$10,806,448 in 1992 rousishing of \$5,811,396 in directs \$\$4,995,0520
1955 Corp Sves Alloruhum 8,302,586 in 1992 rousishing of \$4,428,314 in directs \$3,874,271

Aught Paiquie Conclusion:
No evilence wholsseur front consultion,

Recommendahin: Disallow \$8,302,586

Alteria

RC 11101 METO, HELO,

FRN 1100 (6-047) Bill Code HIIO (Corp. Seciy) (6-043) Alloration Base: General Alloration (6-047) Ruhmel: "Services prombe support to all entities. No ofun metrod idintified that would more accorately identify

the services provided." (6-065) remaining the sort

frame of the services provided to Entitles: "(overdenmen of

Description of Corp Formations Provided to Entitles: "(overdenmen of Bellson Board & Directors activities, i.e., board and Committee meetings, administration of compensation plans, and (or protes records reference (6-065) RC 11101 35C \$1,975,9747m 1/92/ BST \$1,629,221 ... (82.4570)} Hold for RC's steh. } Tohne Corelain Inconsistant with allocation of FRN118 (also rolled up to bill code HIIO) which was allocation base of 5005 thang equely, of 6-065).
Retrivate supporting FIERS 118 (Investor and Shuchilde Relations) 15 "Heatquakers management and shought due services relate to subsidering 's equity). RC 11311 on FRN 118 for 1992 15 25 Gollows (6-047): 735C 131,700 135T 95,968 (72.87%)

135T rosts oversteted by 189,328 of 72.8770 rates used In consistent with equal rost consummed betw. my insmey

Inconsistent w/ CX0007 Equity allocations for most of costs

In consistent of noney cost causation for holding co. Structure

Thusany H112
7 C 11210, 11220, 11401, 11422, 3 noll-up to H 112 (6-043)
FRN 100 General Allocator  Total 35C \$541,500 Total 35T \$446,390 ]82.4470  * need to get broaddown by RC (n. 1992 (f. by FRN))  RC 11210 Trost Assels - Investments
"General Allocation for Directors! Trust and Foundation"  "General allocation! costs immed transfer the whole corporation. No rost
consulare relationships have been thempfied.
Project belling his other simployee benefit frosts.  "Responsible his overseeing of discharge investments his responsible framployee benefit plane frosts, including the birtchars. Trust, STAP Trust, and  RellSouth Foundation."  (6-065)
F Shought we Relative (See Copp See by Board Matters (RC 1101) notes  The consistent of cost consulations in the second Fren 101 capabil & CX 007 all equity allow.  In next 2 largest categories in \$112.  BC 11220 Truck Assets - Admin 15 tracking
same eites as for 11210 except that "Provides administrative pour significant famplingue" (6-065)  -> sum as for RC 11210
RC 11401 (up. Fin Bulget /FGDPAC
" Performs all budgetung functions. Plans and implements atter
"General Allocator" "FGD PAC on an exception basis.
"Functions performed for all subsidences. No better cost rausaw in allocation identified."  ———————————————————————————————————
Ply of Evaluation for any other particular of the surface of the s
5

RC 11300, 11320, 11411, 11412, 11423, 11424, 11430, 11431 } 6-043, 6-047

FRN 101 Capibal

Total 35C 1,677, 340 Total 35T 1,385, 370

(6-065) review; no form for 11411, 11412, 11431

11312, 11320 append to be related to capibal

RC 11423 Financial Planning

"Cambel formation, capital structure, enrungs byschies, investment bunden services, struck exchange interface, debt rating interface, and slett equity strucks."

"Allow to based on relationaling of capital." "Exception basis
(X003 [100% BSE], CX004 [10070 BST]

"Benfits derived from services well effect capital component."

In consist w/ cost consumm. ISSE & holding co. structure
have consist most of times costs. Other costs, such as "capital structure"
and " debt equity structure" were not provided by Bell in response to

Therefore, costs should not be allocated to ISST.

[-12 N 5 | B 108 (10070 BSE).

# RC11424 Earnings Analysis

"Caputal Formation and cumbal structure analysis, studie bical and analysis, and comporate policy and position justification relative to above." (6-06!

[allowater ! rulevale same as 1142]

-> same conclusion es la 11423

# RC 11420 Cop Fin. - Methods

"Consulting and methods and information systems (hondware Froftware support and analysis for all BellSouth Transmy Long home on "

"Allowated to subsidences or group's receiving services bused on capital.

Secreption buses CX 003, CX 004, CX 008."

"Bufito derived from services provided will beneful component."

For 12 C 11423 fines project billing performed for service actually performed for 4163.

# MARINA

Induced effects of conclusions / recommendations on composite FRNs
Also, effect of conclusions on OH allocated

ERN 107 Fuplyees in 35 Paus & Ben Plum (6-041)

RC 13160, 13161, 35T 672, 924

AO 13161 COStassign From in 6-065

RC 13:60 (ompensehan & Benefito (6-068)

2 10 exceptions & no disclosures for BS (consonate service staff corts

FRN 118 Fruity (6-041)

TC 13120, 135C TOTAL \$250,280 BST \$618,527

# RC 13120 Corp. Consol/External Roty

"Rosponsible for mambaning and anhuncing the BellSouthe Firemeind architecture, providing TEC frameind reporting policy quidance, and generating consolidated montaly/quantily/annual internal and external reports."

"Forety of all subsidence " "Also CX 009" (employees in wage ! ben.,
Aroject billing for specific humany astrophes related to 1856, 13505, 135

"Services are in support of all subsidences and are affributable bused on the investment / interest BellSouter has un each."

-) Internally inconsistent. Explanation Retrouble does not support equity 
the Inconsistent w/rost causation. Costs in curred for

consortidation, in term brachman holding co. Struct. Holding co.

necessary only for noney activities.

-> Costs 513 retained 10070 by 35C

Comptrollers H131

FIZN 155 Heady Allocate (6-041, 043)

RC 13170, 13171, 13172, 135C\$1,237,563 1551\$930,729 (6-047)

RC 13170 (noturny for 13171, 172, un resp to 6-065)

SECTION 2 Corporate Accommand PROVIDED TO ENTITIES:

- Provides traditional accounting services functions, such as intercompany billing (Headquarters & "flow through"), corporate books, and disbursements.
- 2. Compiles Corporate Financial reports from subsidiary data transmissions for BellSouth Corporation.
- 3. Provides mechanization support for BSHQ Comptrollers.
- 4. Provides support for Affiliated Accounting Vitness.

### SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

- Headquarters Allocator 100%
   On an exception basis, via exception time reporting or hard coded:
- 2. CX0012 BellSouth Human Resources Administration
- 3. CXOOO1 Southern Bell
- 4. CX0002 South Central Bell
- 5. CX0003 BellSouth Enterprises

### SECTION 4

RATIONALE SUPPORTING METHODOLOGY:

- All functions allocated via the Headquarters Allocator are in support of BellSouth Headquarters and BellSouth D.C. operations and are not attributable to the subsidiaries.
- 2. CX codes are used on an exception basis.

### SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF): PS8315 - Capital Funding Inc. Accounting Services

(6-06S)

-> Inconsistent w/ rost ramation. See comments RC13120.

-> Costs 5/13 reformed 100% by 135C

# Comptrollers H131

FRN 190 1007. BST

BSC \$65,642 BST \$65,642 RC 13140 Afhliate laterest Matters

### SECTION 2

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:

- Serves as BSC Affiliated Interest Vitness on behalf of BellSouth Telecommunications (BST) before the state public utility commissions.
- Coordinates with interdepartmental representatives and regulatory staffs to collect and distribute data for BellSouth Headquarters.
- Performs investigations, analyses, and ongoing monitoring of affiliate interest issues concerning BellSouth Headquarters and nonregulated subsidiaries.
- 4. Provides information on BellSouth matters to BST regulatory personnel.

### SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY: 100% BST

### SECTION 4

RATIONALE SUPPORTING METHODOLOGY:

Services are provided on behalf of BST concerning BellSouth Headquarters and other BellSouth entities.

### SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF): None

### SECTION 6

DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB): None

-> Inconsist w/ rost conschim. Bell's nourogalated achortees?

have organizational structure have consent truse rosts - not true
cognitated belophone co.

# Comptrollers HIZI

FRN 191 1/3 BST; 3 BSE; 3 BBS (6-041,043)
RC 13050 Risk Management
Reviewed method & rehonale (6-065)

by Bell that the 3 entries equally caved the rosts.

This approach to rationale rould be applied elsewhere w/

FORN 192 82% BSF, 9% BSE, 9% HQ Allocation RC 13130 Corp Aceby Stds

No excephen or desclosure mentions possible w/o expensive add Il information.

Most composites, general allocator, he deter allocator of OH will all be affected.

```
(6-047) Reviewed FRNs & RCs for exceptions / beclusions & note now

100
106
107
TOS

Could not review 108 because (6-065) rost
assignment forms were not provided by Bell

117
155
190
190
1331
```

(6-041,043)

FRN 193 9570 35T 570 BSE BSC \$191,644 BST \$182,062 (6-04)
RC 15140 Other Topes - Property

- "Review of state legislation and expertise gained through industry Seminars, training conferences and conventions." (6-065)
- "Cost apportuned baced on investment relationship which is driving Corce belief property topsaline"
- -> In consistent allocator compared to rationale. If investment was action used as allocator, them BST would have recide \$161,324 or \$20,738 less.
- -> 95/5 incress w/ Ex RC 15110 which used investment allocator.

Tax HISX

6-041 FRN 334 1470 155E, 67. 1515S, 8070 Gen Allocahre
-043 RC 15360, 361, 362 155C \$189, 66 Z 155T \$124, 817 (6-047)

RC 15360 Consoldated Fit & SIT Compliance

SECTION 2

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:

Preparation and review of consolidated federal income tax return; coordination of tax accounting and research for consolidated group; all services, including tax research, to comply with governmental taxing requirements for BellSouth Corporation and BSDC.

SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

Allocate based on the following percentages:

BSE - 14% BBS - 6%

General allocator - 80%

SECTION 4

RATIONALE SUPPORTING METHODOLOGY:

Percentages based on budgeted salary and wage amounts.

SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASES(PS.PN.PF):

All services, including tax research, necessary to comply with all requirements of governmental taxing authorities and to meet financial reporting responsibilities for specific companies.

-> BST is provided <u>no</u> benefits of consolidated tax reform

(
). BST tax expense computed on standard

basis. If, thenfore BST did not raise the costs of consolidated

tax return, then it should not been any of the costs.

# HZZX FINANCIAL MGT HZZX

Operating Express

FRN 106 , BSC &70,517 BST 689,556 (6-047)

ICC 22100, 22500

RC 22.00 Chuf Economiest

TC 22500 Consolekated Operations

gel \$ for true RC & FRN

Consolidated operations exists due to holding 10. 5 tructure of nomey. businesses. Cost carration is not due to BST.

Bitter BSC should received to the topological that the the substitute of the property factors. Clearly, the level of operating expenses is not the root causabin base of general allocator improperty penalizes BST for costs it had not cause.

Also, RC 22800 allocated on ERN 194 (open exp of BST & BBS)

15 the Telico Operations "equivalent of Consolidated Operations" 16-065

Composites \$ 0+1 well also be affected

# BELLSOUTH HEADQUARTERS COST ASSIGNMENT FORM

SECTION 1 DEPARTMENT: Financial Management				
DIVISION/DISTRICT: Consolidated Operations RESPONSIBILITY CODE: H22500				
CORPORATE SERVICES MANAGER: David Zell TELE. NO. 249-3353				
SECTION 2 DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:				
Provide support to senior management concerning financial matters which affect BellSouth. This entails analyzing and interpreting results, developing current year projections, coordinating financial adjustments for incentive compensation plans, collection of subsidiary and Headquarters departmental budget views, and offering recommendations concerning the establishment of Headquarters departmental commitment levels.				
SECTION 3 COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:				
Prorated by the expense levels of SBT, SCB and BSE.				
SECTION 4 RATIONALE SUPPORTING METHODOLOGY:				
This group has a Corporate wide focus. Allocating based on operating expenses most accurately sends the costs to our subsidiaries.				
SECTION 5 DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):				
SECTION 6 DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):				
N/A				
ECCTION 7 DECOMMENDED: Xoth M Colette DATE: 6/25/92				
TITLE: Operations Manager - Consol Operations				
APPROVED: $\frac{1}{\sqrt{3}c/9}$				
TITLE: Chief Economist AL: 55 RC: H22100				
中心医院中心名词形式医院内心医医院内心医医院内心医医院医院医院医院医院医院医院医院医院医院医院医院医				

F01K06H 001567

15

Corporate Planning HZ3X

Malen ast identical to gen 'l allocation'

RIZN 100 Gen'l Allocator
220 Composite

RC. 23020, 21, 22, 23400, 23500, 23600 \$1,877,541 355 \$1,551,

314,537 258,6

See attached 6-065 (ost Assignment Forms.

1357 ded not cause these rocks. These are corporate specific costs, except to orkent billed to specific entities. 1357 should Ail be allocated any of the costs

Also, OH of \$2,527,084 and 85T \$3,895,076

BST has own corp play Conchion (6-

# BELLSOUTH HEADQUARTERS COST ASSIGNMENT FORM

	**********		*****		******
SECTION 1					
DEPARTMENT:	Corp. Plng.	EFFECTIVE :	DATE: 12	8 92	
DIVISION/DISTRICT:	Strat. Rch.	RESPONSIBI	LITY CODE	: <u>H23</u>	020
CORPORATE SERVICES MANAGER:	J. Hornbuckle	TELE. NO.	249-324	7	
SECTION 2 DESCRIPTION OF CORPORATE FUNCTION	ONS PROVIDED TO	ENTITIES:			
Strategic primary and secondary efforts.		•	pport of	enti ty	planning
Library resources for all BellS	outh companies	•			
SECTION 3 COST CAUSATIVE CORPORATE FUNCTION	ONS ASSIGNMENT	METHODOLOG	r:		
The costs should be assigned on	the general a	llocator.			
SECTION 4 RATIONALE SUPPORTING METHODOLOGY	:	: = <b>1</b>			######################################
Functions performed benefit the relationship between expenses i	entire Corpor ncurred_and du	ation. No ties perfor	cost caus med exist	itive s.	
SECTION 5 DESCRIPTION OF SERVICES PROVIDED	ON A PROJECT	BILLING BAS	SIS (PS,	PN, PF	·):
Upon request, Marketing Research services are performed on behalf of specific subsidiaries.					
SECTION 6 DESCRIPTION OF SERVICES NOT CHAR	GEABLE TO SUBS	SIDIARIES (1	?B):		
None					•
COMMITTED TO THE PROPERTY OF THE PARTY OF TH		*******			254222
SECTION 7 RECOMMENDED:		DATE:	12/	<u>8/92</u>	<u></u>
TITLE: Operations Manager	•				,
APPROVED: Cliebth a. Grange	<u>.</u>	DATE:	12/8/92	<del></del>	
TITLE: Director		AL:	55	RC:	H23400
# # E E # # E E # E E E # # E E # # E E # # E E # # # E E # # # E E # # # E E # # # E E # # # E E # # # E E #		<b></b>			

12110192

# BELLSOUTH HEADQUARTERS COST ASSIGNMENT FORM

二二元三十二十二十二十二十二十二十二十二十二十二十二十二十二十二十二十二十二十二				
SECTION 1			_	
DEPARTMENT:	Corp. Plng.	EFFECTIVE DAT	E: <u>12 8 92</u>	
DIVISION/DISTRICT:	Sub. Strat.	RESPONSIBILIT	F CODE: H23400	
CORPORATE SERVICES MANAGER:	J. Hornbuckle	TELE. NO. 249	-3247	
SECTION 2 DESCRIPTION OF CORPORATE FUNCTION Develop guidelines for strategic of entities to ensure support of determine view(s) of the industr for BellSouth. Based upon this	planning and corporate goa	analyze strate ls. Conduct s id developleval	NATE STRAIPUIL UNLIDES .	
SECTION 3 COST CAUSATIVE CORPORATE FUNCTION	ONS ASSIGNMENT	METHODOLOGY:		
The costs should be assigned on				
SECTION 4 RATIONALE SUPPORTING METHODOLOGY			18572230422487248722	
Functions performed benefit the between expenses incurred and du	entire Corpora ities performed	tion. No cost exists.	causitive relationship	
SECTION 5 DESCRIPTION OF SERVICES PROVIDED	ON A PROJECT	BILLING BASIS	(PS, PN, PF):	
None				
SECTION 6 DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):				
None				
		***********	************	
SECTION 7 RECOMMENDED:	<u> </u>	DATE: _	12/8/92	
TITLE: Operations Manager		·		
APPROVED: Elizabeth a. Gran	<b>3</b>	DATE:	12/1/92	
TITLE: Director - Subsidi	ary Strategy	AL: <u>55</u>	RC: <u>H23400</u>	
-				

F81K86H 801575

KEM 12/10/92

# BELLSOUTH HEADQUARTERS COST ASSIGNMENT FORM

		******	*****	
SECTION 1 DEPARTMENT:	Corp. Plng.	EFFECTIVE DATE:H	23500	
DIVISION/DISTRICT:	Adv Strat	RESPONSIBILITY CO	DE: <u>H23500</u>	
CORPORATE SERVICES MANAGE	ER: <u>J Hornbuckle</u>	TELE. NO. 249-3	247	
SECTION 2 DESCRIPTION OF CORPORATE				
Formulates corporate str requirements. Analyzes	ategic plan. Develop specific corporate is	s Performance Measu sues and recommends	rements System direction.	
		**************************************	12542222426220222	
SECTION 3 COST CAUSATIVE CORPORATE			·	
The costs should be assi	gned on the general a	llocator.		
SECTION 4 RATIONALE SUPPORTING MET	'Hodology:	4 2 2 4 - 2 2 4 5 4 5 2 5 5 5 5 5 5 5 5 5 5 5 5 5		
Functions performed benefit the entire Corporation. No cost causitive relationshibetween expenses incurred and duties performed exists.				
		P=#8=2482=2488#=2#81	************	
SECTION 5 DESCRIPTION OF SERVICES	PROVIDED ON A PROJECT	BILLING BASIS (PS,	PN, PF):	
None				
	·			
SECTION 6 DESCRIPTION OF SERVICES	NOT CHARGEABLE TO SUB:	SIDIARIES (PB):		
None			•	
SECTION 7 RECOMMENDED:	A. La	DATE:	2/8/92	
TITLE: Operations	Manager		•	
APPROVED: 1/1/1	alon_	DATE:	12-8-92	
TITLE: Director-A	dvanced Strategy	AL: <u>55</u>	RC: <u>H23500</u>	

KEM 1210/22

BIZD

# BELLSOUTH HEADQUARTERS COST ASSIGNMENT FORM

		*********	**************	
SECTION 1 DEPARTMENT:	Corp. Plng.	EFFECTIVE DAT	E: 12 7 92	
DIVISION/DISTRICT:	Tech. Plng.	RESPONSIBILIT	TY CODE: H23600	
CORPORATE SERVICES HANAGER:	J. Hornbuckle	TELE. NO.	249-3247	
SECTION 2				
DESCRIPTION OF CORPORATE FUNCTION Perform research, conduct studies assigned by the Chairman of Bell documentation and illustrations, concerning the projects mentioned appropriate concerning numerous.	ons Provided To es and prepare South and the as well as pred above. Addr BellSouth comp	PARTITIES: position bape: torp. Policy ( eparing presences other spec- anies or LOBs	rs on specific projects as Council. Prepare supporting ntations for corporate officer cific questions and issues as and recommend corp. solution:  to BellSouth executive:	
SECTION 3 COST CAUSATIVE CORPORATE FUNCTION	NE ACCIENMENT	METHODOLOGY.		
			·	
The costs should be assigned on	the general al	TOCATOR.		
SECTION 4 RATIONALE SUPPORTING METHODOLOGY		:952559554597E		
Functions performed benefit the expenses incurred and duties per	formed exists.	tion. No cos	t causitive Detween	
SECTION 5 DESCRIPTION OF SERVICES PROVIDED		BILLING BASIS	(PS, PN, PF):	
None -				
SECTION 6 DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):				
None			·	
SECTION 7 RECOMMENDED:		DATE:	12/8/92	
TITLE: Operations Manager APPROVED:	<b>}</b> .	DATE:	12/8/92	
TITLE: Director-Technology	/ Planning	AL: <u>55</u>	RC: H23600	
E 正元 B B B B F F F B B B B B B B B B B B B				

KEM 12/10/92

# Internal Ardeting H41X

Costs of auditing for complance of JCO and Part 64.901
should not be allocated or assigned to 1357 but extand by 135C
since morning is rost causer, not regulated.

you not have information to coll of spent on these extractes from the total lateral Auditing \$ (6-065) despite having expressed it in ( ). Its pour to ( ) was

Do know, however, from LA ander that \$600,000 annually is spent for Armis 43-03 openion on Cfl, to perform annual audit. This amount 5/13 disallowed since it is not caused by regulated but is caused by fact that Bell has entered into noneg businesses. Any add't amounts related to costs of compliance paid to outside vendors such as Cfl should also be disallowed. Assume that \$600,000 is allocated 100% to. Bell to 1357 based upon other similar costs such as the affected integers in Comptollers.

Security H43x

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:

Administers security functions, i.e. pre-employment and contractor/vendor background investigations, administers executive protection and fidelity bond programs, coordinates security for annual events, i.e. Shareholders' Meeting and BellSouth Classic.

SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

i iquarters Allocator Chaception (XCO22, CXCC 23, CXICF12, CXICF3

### SECTION 4

RATIONALE SUPPORTING METHODOLOGY:

No cost-causative relationships have been identified for the investigative duties performed outside of services rendered and charged on a project.

### SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):

PN6212	Bellcore
PS2796	Executive Protection for BellSouth Enterprises
P50479	Sunlink Corporation
PS6229	BellSouth Information Systems, Inc.
PS8292	BellSouth Advertising & Publishing Corporation
PS8294	BellSouth Enterprises, Inc.
PS8295	BellSouth Mobility Inc
PS8305	Stevens Graphics, Inc.
PS8310	BellSouth DC
PS8314	BellSouth International, Inc.
PS8344	Berry Network, Inc.
PS8347	TechSouth, Inc.
PS9434	Mobile Communications Corporation of America
P 140	BellSouth Advanced Networks, Inc. (6-065)

22

755T should not be changed for security rosts of BellSon to Marie
There costs should be retarned by 135C and captured as a
project. BellSouth Marsic is unrelated to provision of regulated whiley
Cervices. Unable to quantity rosts of BS Massic, see response to
(6-) for more debuils.

# Human Resources H5XX

RC SZPSO, 53030, 049050 59602, 59010, 020, 050, 060, 070 (6-04)

BSC 25, 53030, 049050 59602, 59010, 020, 050, 060, 070 (6-04)

BSC 25, 502, 502

\$ 7, 511, 495

Shelfing, Research ! Development.

RC 52050 General homehoirs, See, W/P 15A. Not

Whated to BS pension employees. For shore also

nelode "Develop and maintain early rebreened

neembor programs... Develop and maintain force

management programs."

Includes cost of these programs (?) - check

resp to (6-).

Constidating issc and BSE corporate shells, should have been extanded by issc - and allocated to 1557.

Quantile heraline

RC 53030 Assessment Center

RC 53040 Strategie Planing

123 Performance Measurement 1 10 des formations ulated to structural redesign.

-7 All RCs that wall be reviewed appear to whate to all BS employees - not only those in BS person plan. On

12C 53040 & 53050 Rahonale (6-065), BS states that "Total head count overstates 13SE participation (participation by acquired companies), therefore, Tsell South Pension participation is most account choice."

Evnetivis are all broad based HR applicable throughout org. To allocate on only BS employees in pension plan rous lates allocation to BST.

July 1992 total employees would provide billowing allocation (6-

# Human Resources HSXX

FRN 112 Key Managers

TC 53200 Freeshore Bunfol Matters

TSC 549,595 135T 343,218 (6-047)

(62.45%)

—) no exception a disclosure necessary

FRN 113 Union Employees in 135 Co's. RC 52030, 52080,

\_\_ no exception or disclusive necessary

FRN 160 Employees in USA
IZC 57040, Safety/Environe Affans
Construins related to US Safety & Environe laws

-> no exception or disclusione necessary

FRN 173 Key Mgrs Except 135E Acq. (01.

TCC 53210, 53220, 53220, 53220

BSC \$1,700,876 BST 1,125,421

RC 53210 Sloan Fellowship Prog /MIT

RC 53220 Sloan Fellowship Prog / Stanford

EC 53220 Except Mgt Compensation

\_ no exception or disclosure necessary.

25

FRN 175 Managers Freigh 135E Aquired Cus RC 53010,53020,53300

RC 53010 Compensation

RC 53020 Executive Development

RC 53300 Exec/Mgl Conpensation

Cost assignment form for RC 53020 states inimesished allow how have ( tot number of management employees in earle co. purposepating in BS Pens & Bembet Plans; "Bell Suchen Pension purposement is most accorate charee." Ashal allow me on basis of Managers Freent BSE Acq. Cos. Thus, no exception or disclosures necessary.

# Asse Sec- Corplaneil Horb

FRN 100 Ren'll Allocatur (delete de/ter 12/16/42 6-043)

RC 61600 No cost assignment form (6-065)

BSC \$ 279,628 TSST \$ 230,278

—> Corp Council is executive advisory group. Costs should not be allocated to 135T. Hereby See FRN 100

for Legal HGIX.

# Legal - HGIX

FRN 100 Genil allocator

RC 61180, 400, and inclum response to 6-065.

BSC \$770,056 BST \$637, ZII

- \* FRN 319 19% Gen'l allorator; 50% 155T; 31% 155E

  RC 61300 (Anthrost)

  BSC\$183.418 BST \$120,296
- · FRN 308 Z07, Gen'l Allocabre; 707, 857; 107, 05E RC 61310 (Anthost)

35C \$154,712 135T \$133,805

- FRN 320 422073 Gen: A Allocabon; 2773 1551; 3176 BSE RC 61320 (Anh Hust) BSC \$90,796 BST \$55,883
- PRN 335 Gen'l Alloc. 1070; 5570 155T; 3573 BSE RC 61330 (Anhtrust) 155C \$64,988 BST \$41,094
- Cost assignment from 5 for the Legal-Anhtrost RCs
  indicates that the 135T / 135E allocation on the basis of
  actual time, which is effectively direct assignment on a
  budgeted (apparently based upon historical) time. 755T is
  allocated rosts related to MFJ and antitrust matters. These russs

  28 S/B estamid by BSC since authorist! I hypother re: MFJ involves
  line of business restrictions, etc which are interestly nouses.

  —) Cost cause for these legal rosts is 100% nouses.

1=12 N 311 35% 1357; 35%, 135E; 30% Genil Allocator (6-047)
RC 61340 (Intellectual Properties) (6-043)
BSC \$308,400 1555 \$184,155 (6-047)

SECTION 2

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES: Handle all lawsuits brought against BellSouth Corporation and regarding the adoption and use of trademarks, the protection of inventions, copyrightable materials and trade secrets, obtain trademark, patent and copyright protection of intellectual property, protect the Company against the misuse of third party intellectual property rights, enforce the company's intellectual property rights against others, and negotiate and draft license agreements, nondisclosure agreements and other related documents.

### SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY: Charge 35% to BellSouth Telecommunications, Inc. on the basis of actual time and allocate between them on basis of investment; charge 35% to BellSouth Enterprises; arge 30% through general allocator.

### SECTION 4

RATIONALE SUPPORTING METHODOLOGY: Trademarks and patents developed by the BellSouth companies will be owned by BellSouth Corporation and the advice given to subsidiary companies protects the ownership interest of BellSouth Corporation. While copyrights and trade secrets are owned by the individual subsidiaries, the protection of such intellectual property is of general benefit to all of the BellSouth companies.

SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):

None

SECTION 6

DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB): Assist in the acquisition process by providing intellectual property advice regarding due diligence matters.

(6-06S)

isso provides no compensation to BSF for use of Bell trademak and copyrights even though wholfed by nouses, co's & even the MFJ spenfeeally assigned ownership to BOCS. 30% thru genil allocation 5/13 retained by 1350. BSF is not rost comen if it doesn't have rights to compensation (according to treatment by Bell).

(egal - H61X FRN 190 100% BST RC 61350 (Lingaham) BSC \$425,666 BST \$425,666

BZ1/

SECTION 2

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES: Handle all lawsuits brought against BellSouth Corporation with the exception of labor law cases; provide record retention advice for BellSouth Corporation and BellSouth Telecommunications, Inc. ("BST"); provide legal advice to the BellSouth Telecommunications Data Security group, provide advice and assistance to BellSouth Corporation and BellSouth Telecommunications, Inc. concerning the organizational sentencing guidelines and negotiate and approve all contracts entered into by BellSouth Corporation.

### SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY: Charge 100% to BellSouth Telecommunications, Inc. on the basis of actual time and allocate on the basis of investment.

RATIONALE SUPPORTING METHODOLOGY: My legal services are rendered in one of two ways: (1) directly on behalf of BellSouth Corporation which benefit inures to regulated and non-regulated business as provided above; and (2) to the regulated companies in which case investment is an appropriate method of determining basis for allocation.

- -> Activities are not all related to 1557 based on ruel assignment.
- -> In absence of other busis (5/13 actual time as indicated but properly recorded between subtres), Gen'l allocator 5/B used. This is consistent w/RC & 61410 (Corporale).
- --> Gennal allocator for Legal 461x (6-047) was 82.75%.
  BST overchanged at least \$73,433.

Legal - HGIX

FRN 336

RC 61400 ((nporute)

no exceptions or discolorures

RRN 100 RC 61410 (Corporate)

no exceptions or disclosures

FRN 337 RC 61500 (Tax)

FRN 315 RC 61520 " no exceptions

Or disclosures

FRN 342 RC 61540 "

FRN 342 RC 61540 "

# Federal Relations - HTIX

FRN 100 Ben & Allocation (6-047)

RC 71100, 73070,080 (6-043)

BSC \$ 2,216,326 BSF\$1,830,539 £2.5970 (6-047)

Missing 73070,080 costassing from \$ (6-065)

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:

Identify issues, policies and actions that could affect BellSouth and provide this information to BellSouth management and policymakers. Provide information on BellSouth's existing and future operations as well as its position on national business issues to Federal legislators, their staffs and other key decision makers and stakeholders.

### SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

100% - General Allocator

### SECTION 4

RATIONALE SUPPORTING METHODOLOGY:

Impact of issues dealt with is generally corporate-wide and assessment of direct benefit to a specific subsidiary is impossible (or impractical).

### SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A BILLING BASIS (PS, PN, PF):

### SECTION 6

DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):

MFJ grassroots lobbying expense (PB9443) and 10% of salaries and all direct lobbying expenses for two registered lobbyists (PB0903) (registered lobbyists are Dan Murray and Dan Mattoon).

(6-065)

Dres - Greeken to 135T. 50/50 cost consation even w/
PB belling. Some states may not ellow recovering of any of
this cost regardless of rost consation, consistent of their torchie
of labbying types of costs desetty incurred by 185F.
50% allowhim would be \$1,108,163, \$722,376 less than
general - Morahim available.

# Tederal Relations - H71X

Reviewed 6-047 for other FRNs (in addition to 100). List (ICCs obtained from 6-043, of 1sted-reviewed 12/13/91 12/16/42 is as follows: RCs 73020, 73080 (no rost from 6-06) 165 166 167 73060 168 none listed on 6-043, yet 1356 \$535,156 190 71410, 71420 215 nome listed one 6-043, get 1356 \$590,169 1557 \$485, ZIL 240 10 , yel BSC 24,669 BST 21,126 HEPHTI, 71100, 34425 71,402 USSC 374,378 1357 323,7 るとし " " " , yel BSC 115,062 BST 94,7: ろてて 73-40 no excel rost assign forms (6-065) 323 73050 334 73010 340 341

Total Ted Relations	\$ 7, 207,370	1357	5,905,645
<b>A.</b>	1,244,390		1,017,059
Total	8,451,761	-	6,922,704

le: regulating recoverny under FREN 100 RC 71100 tedent Relations

Federal	Relations -	H71X
		_

FRN 215 (omposite (6-047) TC 71410, 71420 (6-043)

only 71410 rost assign from provided (6-065)

35C \$2,769,214 BST \$2,288,971 (6-043)

SECTION 2 7.410 DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:

Provision of staff support activities concerning budgets, business and strategic plans, human resources and comptrollers interface and administration of the BellSouth Federal Political Action Committee.

SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

Same as R. L. McGuire - composite of direct reports (G/A staff)

SECTION 4

RATIONALE SUPPORTING METHODOLOGY:

Provides administrative support for entire Governmental Affairs staff

SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):

N/A --

SECTION 6

DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):

N/A

Costs at best caused equally by reg & nousing. 50/50 cost
causation. Casts of 133 Fed PAC 5/13 project billed. According to
categorien w/ Hustrisky & hear 10/6/93, Fed PAC costs are separately
identified & provided to 1997. These costs are not fourthing desict

FRN 119 RC 90200 (65% BST, 10% BSE, 70% MK+GA, 5%GA

deleted after 12/3:/41 but before 12/16/92

BSC \$117,401 BST \$ 110,590 FRN 19 12/13/19

#### SECTION 2

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:

Provide marketing focused advertising for BellSouth Corporation and BellSouth Telecommunications. Provide investment/financial advertising. Develop other advertising as needed for BellSouth Corporation. Coordination and oversight of advertising for all BellSouth subsidiaries.

#### SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

Chracepton (cci)

- For marketing focused costs-CX0011 marketing general allocator
- For investment/financial advertising—CX0007 equity of subsidiaries
- For other advertising expenses—CS0006 general allocator
- For all other costs 70% marketing general, 20% equity, 10% general allocator

RATIONALE SUPPORTING METHODOLOGY:

Advertising expenses will be charged according to the function supported.

All other costs reflect a composite of marketing, general and equity allocation.

#### SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):

None

DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):

None

-> Investment I fin'l advertising peopling allocated over investment or capital - not equity but ands rather mayor fromt (CX007: BSC 26,128, BST 19,868)

-> Mulebry freved rosts 5/13 assigned to BST if rowsed by BST. General/goodwill advertising generally not reroverable al regulated level; thus, should not over be allocated to isso

( ust rows when 13 1585 1/357

FRN 328 107. 1351; 57. 135E; 80% MK+GA; 57.6A RC 15010 Advantsing 35C \$223,790 135T \$110,590

ECTION 2

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES: Provide Financial lanagement support for BST Advertising. Provide direction for BSC Advertising. assist in advertising coordination for all BellSouth entities.

ECTION 3

OST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

For BST Advertising Financial Management (10%)

For BSE Advertising (5%)

For BSC Advertising (85%) - 80% marketing general; 5% general

ECTION 4

ATIONALE SUPPORTING METHODOLOGY:

nses in support of BST and BSE will be charged to Advertising.

in other costs are allocable to all subsidiaries.

ECTION 5

ESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):

ECTION 6

ESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):

-> 135T rosts 5713 directly assigned. Advertising group Win BST Mkty Dept. 135C corporate advert 5/B reformed by 135C.

FRN 329 90% BST; 5% BSE; 2.5% MRt; 64; 2.5% GA

RC 95011 Advertising

#### SECTION 2

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES: Provide Financial fanagement support for BST Advertising. Assist coordination of advertising for all BellSouth entities.

#### SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

-For BST Advertising Financial Management costs(90%)

For BSE Advertising support(5%) - 5% marketing general

-For BSC Advertising (5%) - 2 1/2% marketing; 2 1/2% general

#### SECTION 4

ATIONALE SUPPORTING METHODOLOGY:

nses in support of BST and BSE will be charged to Advertising.

#### ECTION 5

ESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):

#### POPTON 6

ESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):

-> 1070 not directly ellocated to BST 5/B reformed by ISSC.

TC 95012 ) 6-043 but no \$ 111992 from 6-047

See a the had cost assign Am (6-065)

Were captured in 95010 (which has been crossed out on 6-065 cost assignment from from), en accountables RC

-> 1357 not cost causer. Costs 5/13 reformed by BSC.

## BELLSOUTH HEADQUARTERS COST ASSIGNMENT FORM

SECTION 1 DEPARTMENT:	Public Relations	EFFECTIVE	DATE: 01/01/92
DIVISION/DIS	TRICT: Advertising	RESPONSIB	ILITY CODE: #95
CORPORATE SE	RVICES MANAGER: Stephani	le Huntsinger TELE.	NO. <u>249-28</u> 23
SECTION 2 DESCRIPTION (function for	OF CORPORATE FUNCTIONS E BSC. Assist in advertis	PROVIDED TO ENTITIES sing coordination fo	: Perform Advertising r all BellSouth entitie
-For BSE Adve	VE CORPORATE FUNCTIONS A ertising(95%) 90% market ertising support(5%)		
of expens	PPORTING METHODOLOGY: ses in support of BSC an	-	will be charged to
ECTION 5 ESCRIPTION C	OF SERVICES PROVIDED ON	A PROJECT BILLING B	ASIS (PS, PN, PF):
ECTION 6	OF SERVICES NOT CHARGEAB	LE TO SUBSIDIARIES	(PB):
ECTION 7 ECOMMENDED:	Al Day L Fr	DATE:	4/2/92
TITLE: APPROVED: TITLE:	Operations Manager  Alous / Purus / Pu		60 RC: H95000
	# v = v = v = = <b>= = = =</b> ·		KEWN 611723

39

## Public Relations - 4910

FREN 100 General Allocator RC 91000 Media Relations

BSC 941,526 BST 779,535

CX 1991 Atl Golf Classic BSC 107 CX 1992 Atl Golf Marrie 1350 1,403

- ) ( . sts caused 50/50. Ben'll allreader not relevant. Costs & Golf Clame 5/B whomadby 35C.

## External Affairs - H920

FRN 100 Gen'l Allocabor (6-047) RC 92030 Executive Speechwatering (6-043, 065) 92050 Headquarters (5mlabathetern 1008/192) 135C \$ 400,133 135T \$329,303 (6-047)

SECTION 2 DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:

Write speeches for senior corporate executives.

SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

- ALLYGA General allocator

Also aconja (1992, algaz

SECTION 4

RATIONALE SUPPORTING METHODOLOGY:

All functions are provided at the corporate level and are not connected with any specific corporate entity.

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):

None

DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):

None

(6-065)

RC 92030 -> ( ash not caused by BST any more them the other Exec costs. Costs 5/B reformally 35c

41

12 C 92050

See notes under External Relations - H920 RC 92040. /3//3//3.

November 1988

(Reference Paragraph 3.02a)

Page 13

#### SELLICOTE MEADQUARTERS COST ASSIGNMENT FORM

•				
DEPARTMENT:	Public Re	lations	EFFECTIVE DATE	
DIVISION/DIS	такст: <u>Не</u>	adquarters	RESPONSIBILITY	
CORPORATE SE	RVICES MANAGER:	Marsha K. Moc	k Tele	. wa. 249-2446
DESCRIPTION	OF CORPORATE FU	MCTIONS PROVIDED 1	O EMILITIES:	
the relate BellSouth Board of D	d activities Classic, exe Pirectors' ca	of the Annual cutive confere andidates for m	rdinating emplo Meeting of Sha nces, staff sup embership and p tes to all enti	port for CEO, resentation on
COST CAUSATIV	. •	NCTIONS ASSIGNMENT		
-Retie of e	l( <del>ocperate oup</del>	2090 enses genera	allocator	
Conference area and h entities.	eadquarters	n functions su management tea logy identifie	pport sharehold m which in turn d that would mo	benefits all
None. NOTE: All "cost iden	management	conference cos	silling masis (ps. is are accumula purpose of al ubsidiaries.	ted under a
		CHARGEAGLE TO SUB		1004
None.		Canadangas 10 000	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
recommended:	Marsha K.	Mock	DATE:	7-15-92
TITLE:	Opr Mgr-Pu		AL: 55 R	H92040
APPROVED:	83	<u> </u>		7-15-92
fitle:	Dir-Public	Relations		н92000
<del>, , , , , , , , , , , , , , , , , , , </del>			/	KES

FB1K86W 881712

### External Affani - 4920

FRN 103 Employees (6-047) FCC 92010 Stroty Communications

BSC \$956,378 BST 767,148

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:
Direct Issues Management function that services all public relations entities.
Coordinates internal and external opinion research for public relations
purposes. Provide strategic planning and communications. Coordinate
MFJ/grassroots efforts.

#### SECTION 3

COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

Total employees for all entities.

Alec excell, exigez, exiges

#### SECTION 4

RATIONALE SUPPORTING METHODOLOGY:

All functions are provided at the corporate level and are assumed to benefit all employees equally.

#### SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):

None

#### SECTION 6

DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):

PB9443 - MFJ grassroots effort

There costs were not ransed by employees. In beck, costs bear no relationship to number of employees. Costs caused by BSC corporate structure, PR purposes (goodwell advertising) ! clearly normey achorters (MFJ/grassrouts efforts).

These costs should not be allocated to 1557 since There is no necession.

### External Relations - 4920

FIEN 181 54% Fanty; 6% Gen: L Alloration.

RC 92040 Finil Common & Admin.

BSC \$7,330,925 1357 \$1,724.935

#### SECTION 2

DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:

- Writing and production of Annual Report to Shareholders; writing and production of Quarterly Shareholder Newsletters; writing and related creative coordination of RIS Journal (publication to keep professional investment community informed about BellSouth); write speeches for senior corporate executives; support employee communication programs with research and writing; special projects as required; production of annual meeting film for shareholders.
- 2. Departmental budgeting; administrative and clerical support.

#### SECTION 3

COST CAUSATTVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:

1. Equity of subsidiaries - budget 94%

2. General Allocator - budget 6%

Also CXCOII, (X1992, CX1993

#### SECTION 4

RATIONALE SUPPORTING METHODOLOGY:

- 1. All functions are provided at the corporate level and are not connected with any specific corporate entity.
- These functions are connected specifically with departmental budgeting and administrative and clerical support.

#### SECTION 5

DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF):

#### None

#### SECTION 6

DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):

None

Hodpepody of activities not directly related to or conced by equity. Some rocks appear to be related, of not remark by, equity, some to employees, some sla enhanced by BSC.

[FIEN 191]

1/5/1/3 1558/1/2 155T rowsishular/ RC 13050 Risk Management (see notes under Comptrollers H131 &, a trus series of WTP).

- Also affects FIRN 242 Composite for RC 92000 Director - Public Relation

## External Affair - H920

CX 1992 Atl GARCInsei- - Mkty Ganil Allocahr (6-047)
BSC \$ 122,897 BST \$55,881

-> These rosts 5/13 100% whomed by BSC.

FIEN 100 Gen: Alloche (6-047)

RC 94000, 94010, 94020, 050, 040, 100, 110

(all costs of Corp Affans except for FRN ZZI romposite)

\$ CX amounts

BSC \$4,475,428 1357 \$3,706,359

-> missing rost assigner. frans for 94000, 94010,94020, 94030

PC 94100 (Special Affairs (See 32A MP)

RC 94100 (Sporate & Education Affairs (See 3213 MP)

RC 94110 Headquarters (See 32 C MP)

(100 p gvc s)

These costs relate primainly to commonly contributions,
education (public) & BS Foundation. Chambable combitations

to are not allowed in sum states for ratematin, recovery.

Also, educational costs are not related to provision of

regulated other to reces. In bul, really gove to a private

function. BSC to be commended for common by involvement

bot rost not caused by BST or natepayers.

### BELLOOME HEADQUARTERS COST ASSIGNMENT FORM

SECTION 1 DEPARTMENT: Public Relations EFFECTIVE DATE: 07/01/92
DIVISION/DISTRICT: External Affairs RESPONSIBILITY CODE: H94040
CORPORATE SERVICES MANAGER: <u>Jim Breedlove</u> TELE. NO. <u>249-2462</u>
DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO ENTITIES:  Encourage and support BellSouth corporate employees' involvement in community and civic volunteer efforts and handle related special projects. Develop a BellSouth arts program and an in-kind contributions policy and program. Develop a contributions policy handbook and corporate membership directory. Provide staff support and handle special projects for the Chairman related to his external activities, such as Chairman and Executive Board Committee Member of the U.S. Chamber of Commerce, member of United Way of America's Board of Governors, Business Roundtable, Boy Scouts of America, Woodruff Arts Center, Atlanta Historical Society, etc. Manage all fund-raising efforts related to the Chairman's external activities, including the National Alliance of Business, U.S. Chamber of Commerce, the JFK Center for the Performing Arts and National Junior Achievement.
SECTION 3 COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT METHODOLOGY:
General allocator On Exception CXCOII, CX1992, CX1963
SECTION 4 RATIONALE SUPPORTING METHODOLOGY:
All functions are provided at the corporate level and are not connected with any specific corporate entity.
SECTION 5 DESCRIPTION OF SERVICES PROVIDED ON A PROJECT BILLING BASIS (PS, PN, PF): None
EECTION 6 DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSIDIARIES (PB):
None //
RECOMMENDED: # DATE:07/01/92
TITIE: Director External Affairs
APPROVED:
TITLE: V.PPublic Relations AL: 60 RC: HEORSO

991715 . YOU

#### BELLSOUTH HEADQUARTERS COST ASSIGNMENT FORM

SECTION 1				
	EFFECTIVE DA	TE:(	7/01/	92
DIVISION/DISTRICT: Corporate&Education Affairs	RESPONSIBIL	ITY COL	DE:	H94100
CORPORATE SERVICES MANAGER: Pat Villis		E. NO.	249	-2414
SECTION 2 DESCRIPTION OF CORPORATE FUNCTIONS PROVIDED TO				
Oversees BellSouth's interests in education and and national issues of community interest. Dir which provides financial support to education iterritory; oversees the director of education a Leaders program; and directs the corporate cont programs.	rects the Bei in the nine- affairs; coo	llSouth state o rdinate	Found perations the	dation ing Global
SECTION 3				
COST CAUSATIVE CORPORATE FUNCTIONS ASSIGNMENT M General allocator (つべつにの) (XCCI)		14A3	•	
RATIONALE SUPPORTING METHODOLOGY:  The education and community support provided th  Affairs support the subsidiaries' needs for qua  consumers, for strong communities and for econo  methodologies, therefore apply.	lified emplo	yees,	for e	ducated
SECTION 5 DESCRIPTION OF SERVICES PROVIDED ON A PROJECT B	ILLING BASIS	S (PS,	PN, PI	7):
The National Merit and National Achievement Sch the BellSouth Enterprises subsidiaries based on whose children are receiving scholarships.	olarship pro	grams of the	are bi	llled to ployees
SECTION 6 DESCRIPTION OF SERVICES NOT CHARGEABLE TO SUBSI	DIARIES (PB)	):		
SECTION 7 RECOMMENDED: Sating & Hillis	DATE:	07/0	1/92	
TITLE: Director, Corporate and Education	Affairs			
APPROVED:	DATE:	07/0	1/92	
TITLE: V.PPublic Relations	AL:	65	RC:	HE0H90

November 1988

(Reference Paragraph 3.62a)

Page 13

### SELLSOUTE EEADQUARTERS COST ASSIGNMENT FORM

DEPARTMENT:	Public	Relation	18	RPYSCT	TVE BATE: _8	-1-92
DIVISION/DI	umci: _	Headquar	ters	RESPONS	Hailite code	. H94110
CORPORATE SI	ERVICES NA	EMER: C1	arence 0'	Banner	TELE. 80.	249-2829
DESCRIPTION Administra improving corporate	tion of public	BellSout education				
COST CAUSATI	VE CORPOR	ATE PUNCTIO	AS ASSIGNAT	T RETHODOLOG	T:	-
Retio of a	erporat	-expense:	<b>-</b>			•
100%	Gene	eral Al	locator	•		
BATIONALE SU	PPORTING !	(ETROPOLOGI	:	·		
Services p	rovided	benefit a	all entiti			y identific
Services p	rovided more ac	benefit a	all entiti allocate	services p	orovided.)	***************************************
Services p	rovided more ac	benefit a	all entiti allocate	services p	orovided.)	***************************************
Services p	rovided more ac	benefit a	all entiti allocate	services p	orovided.)	***************************************
Services p	rovided more ac	benefit a	all entiti allocate	services p	orovided.)	***************************************
Services p	rovided more ac	benefit a	all entiti allocate	services p	orovided.)	***************************************
Services p	orovided more ac	benefit a curately s PROVIDED	all entiti allocate om a projec	services p	rovided.)	***************************************
Services p that would  DESCRIPTION (	orovided more ac	benefit a curately s PROVIDED	all entiti allocate om a projec	services p	rovided.)	***************************************
Services p that would  DESCRIPTION (	orovided more ac	benefit a curately s PROVIDED	all entiti allocate om a projec	services p	rovided.)	***************************************
Services p that would  DESCRIPTION  None	orovided more ac	benefit accurately s PROVIDED	all entiti allocate  ON A PROJEC	SETVICES TO STATE STATES (	rovided.)	PF):
Services p that would  DESCRIPTION  None  DESCRIPTION	Claren	benefit accurately  S PROVIDED  S POT CHARG	all entiti allocate  om a projec	SETVICES P	rovided.)  113 (PS. PH.  129):	PF):
Services p that would  DESCRIPTION  None	Claren	benefit accurately s PROVIDED	all entiti allocate  om a projec	SETVICES TO STATE STATES (	rovided.)  113 (PS. PH.  129):	PF):
Services p that would  DESCRIPTION  None  DESCRIPTION	Claren	benefit accurately  S PROVIDED  S POT CHARG	all entiti allocate  ON A PROJECT  PEASLE TO SUR	SETVICES P	SATE:	PF):

49

F01K06W 001717

Ţ

Cx 1991 Att Golf Classer CX 1992 Att Golf Classer

1994 BSC 31,755 1594 656,233

35T 13,582 300,488

Not related to provision of regulated whiting services.

Southern Bell Tel. & Tel. Co. FPSC Docket No. 920260-TL Audit Date: 06/29/93 Amended Response Item No. 6-083 Page 1 of 1

- Request: A. Please provide the amounts by department, responsibility code, and by FRN for administrative costs incurred by BSC-HQ BellSouth Foundation for the calendar years 1991 and 1992.
  - B. If any of these costs were billed directly to BST during the calendar years 1991 and 1992, please provide the annual amounts by account. Also please indicate whether any of these costs were classified as non-jurisdictional in the BST or State General Ledger. If so, please provide the annual amounts for BST and each state by account that were classified as non-jurisdictional.

Response: The Company amends its response of July 14, 1993 as follows:

- A. All Administration expenses associated with the BellSouth Foundation are charged to the BellSouth Corporate and Educational Affairs Department under RC H94100. The BellSouth General Allocator (FRN 100) is applied to these expenses to allocate them among the subsidiaries. See Response to Item 6-059 for amounts allocated from BSC-HQ to its subsidiaries during 1991 and 1992 for BellSouth Foundation Administrative expenses.
- B. See Response to Item 6-059 for 1991 and 1992 annual amounts billed to BST. These charges were classified to Account 6722 in 1991 and 1992. None of the Account 6722 costs are classified as non-jurisdictional.

Date Provided: October 15, 1993

Southern Bell Tel. & Tel. Co. FPSC Docket No. 920260-TL Audit Date: 06/29/93 Amended Response to Item No. 6-060 Page 1 of 2

- Request: A Indicate whether the following types of costs were incurred directly or indirectly by BSC-HQ and in turn billed to BST or its predecessors during the calendar years 1988 through 1992:
  - I. Annual dues to social organizations or nonprofessional membership expenses;
  - II. Activities or contributions for political purposes including those associated with political action committees;
  - III. Entertainment or other costs associated with lobbying or influencing any actual or potential legislation or political gathering including but not limited to sports or vacation costs, the Republican or Democratic National Conventions, etc.;
  - IV. Sponsorships;
  - V. Donations or charitable contributions;
  - VI. Corporate Image, Goodwill or Institutional Advertising;
  - B If any of these costs were directly or indirectly billed to BST or its predecessors during the calendar years 1988 through 1992, please provide the annual amounts by account and by entity.
  - C Also, please indicate whether any of these costs were classified as non-jurisdictional in the BST or state general ledgers. If so, please provide the annual amounts for each state by account that were classified and non-jurisdictional.

Response: The Company amends its response dated July 14, 1993 as follows:

- A. I. Yes, for business purposes.
  - II. Yes, regarding coordination/administration of FedPAC's.
  - III. BellSouth does not track entertainment costs as being incidental to specific activities. BellSouth retains the costs of lobbying and pactivities associated with national political conventions.
  - IV. Yes, however, some sponsorship expense is retained by BellSouth.
  - V. Yes.
  - VI. Yes.

Southern Bell Tel. & Tel. Co. FPSC Docket No. 920260-TL Audit Date: 06/29/93 Amended Response to Item No. 6-060 Page 2 of 2

#### Response Continued:

- B. Attachment I is the BSC-HQ expenses and allocations to subsidiaries for the years 1990 1992 and is being sent in the overnight mail on October 15, 1993. Data is not available in sufficient detail to provide similar data for years prior to 1990.
- C None of the BSC-HQ charges to BST for the expenses listed above were classified as non-jurisdictional. All amounts were charged to the states.

Date Provided: October 15, 1993

### . BellSouth Corporation Expenses Allocated to Subsidaries (\$000)

(* *						
1990						
I Memberships	Accoun	BSE	SET	SCB		
Social & Service	737	5.1	17.3	12.4		
II Fed Pac Admin.	Various	23.5	77.0	46.2		
IV Sponsorships	739	24.8	107.4	76.8		
V Contributions	756	217.0	934.0	664.5		
VI Advertising	745	2,651.9	3,367.0	2,273.3	٠	
1991						
	Accoun	BSE	SBT	SCB	BSS	BBS
I Memberships Social & Service	737	23.8	87.7	63.7	0.9	1.1
il Fed Pac Admin.	Various	11.1	28.3	19.5	8.6	0.0
IV Sponsorships	739	20.8	74.6	53.8	2.8	1.1
V Contributions	75 <del>6</del>	209.5	822.9	591.2	0.0	9.1
VI Advertising	745	1,982.1	2,569.1	1,903.5	0.1	163.8
4000				·		
1992	Accoun	BSE	BST	BBS	TOTAL	
I Memberships Social & Service	737	16.2	97.9	5.2		
II Fed Pac Admin.	Various	34.9	184.3	19.7		
IV Sponsorships	739	. 30.9	145.1	(23.0)		
V Contributions	758	309.4	1,894.5	75.1	2279.6	

895.0

1,098.2

481.8

745

VI. - Advertising

Southern Bell Tel. & Tel. Co. FPSC Docket No. 920260-TL Audit Date: 06/29/93 Amended Response to Item No. 6-001 Page 1 of 2

- Request: A For each year 1984 1992, provide separately the number of total BSC consolidated (including all subsidiaries) employees and BST employees in each of the nine BellSouth states. Employees should be determined on an average annual full time equivalents basis.
  - B Indicate whether plans exist to offer any retirement plans in the 1993-1994 time frame. Give a description of the plan and identify the projected net reduction in positions.
  - C Provide a projection of total number of positions for 1993 and 1994 (average annual full time equivalents) for the following entities:
    - I. BST
    - II. BSC-HQ
    - III. BSC Consolidated (including all subsidiaries)
    - IV. BSE-HQ
- Response: A In its response dated July 14, 1993 the Company stated that it would respond on August 3, 1993. Following is the response:



Abtached is the total number of employees for each year (1984-1992) for all BellSouth Companies and BST. The BST totals are broken down by state and also by Southern and South Central territories.

B - The Company amends its response which was provided on July 14, 1993 as follows:

Last November, BST announced plans to reduce the size of the work force by some 8,000 employees by 1996. These reductions will be tied to work redesign efforts over the next several years. No universal early retirement offers are planned. BellSouth's agreement with the Communications Workers of America makes several programs available to represented employees affected by any resulting force imbalance.

## CONFIDENTIAL GOT 13 1993

Southern Bell Tel. & Tel. Co. FPSC Docket No. 920260-TL Audit Date: 06/29/93 Amended Response to Item No. 6-001 Page 2 of 2

#### Response continued:

C - Following are the force projections for BST for 1993 and 1994, which were taken from the February 1, 1993 Working View of 1993-1995. This data is for total number of employees and includes parttime, full-time and temporary positions.

> 1993 Force Projection (BST)

1994 Force Projection (BST)

75,966

74,634

The 1993 BSC-HQ projected headcount, as taken from the Budget Commitment is 720. The 1994 projection was not available.

The Company has asked BSE to provide the requested force projections for 1993 and 1994. BSE has declined to provide this information. Therefore, the Company objects to providing the requested information on the grounds that (1) Southern Bell does not have possession, custody or control of such information, (2) the entity that is in possession os such documents is not subject to the jurisdiction of this commission and (3) in any event, such information is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence (a) related to transactions or cost allocations among these companies or (b) necessary to show that Southern Bell's Florida customers do not subsidize either Southern Bell's or its affiliates' unregulated activities.

Date Provided: August 6, 1993

٠,

BELLSouth Companies							1	ELLSouth	<b>Tele</b> comm	unication	4				
		BST	South Central Bell Tentroly							Southern Bell Tentiony					
A	1	TOTAL	Total	HDQT	AL	KY	IA	MS	IN .	Total	HDQf	FL	GA	NC '	* SC
1984	95722	91707	36767	4426	6372	4566	9996	5013	8392	52940	4367	22807	12986	7682	5098
1965	92402	86095	36569	4773	5920	4119	9037	4531	8189	51526	4442	21502	13040	7584	4958
1966	94516	90039	37266	5109	6114	4167	9676	4646	8358	52773	4565	21679	13635	7775	5119
1987	99664	86062	36353	4636	5861	4011	7946	4454	8245	52699	7107	20445	13044	7302	4801
. 1988	101286	80001	36171	5192	6021	4049	7854	4508	8547	52630	7356	20222	13010	7311	4731
1989	101230	86728	36412	5420	6193	4026	7733	4459	6579	50314_	4639	20026	13227	7552	4672
1990	101945	85967	35862	5472	6145	3893	7455	4381	E. 2	0	W20	19508	13372	7607	4990
1991	96084	78313	32681	4860	5752	3610			2 6	=	110	17706	12404	6869	4643
1992	97112	82866	38502	10432	6100	1			× "		18	18097	12437	6716	4596
	<del></del>		<del></del> -			3		•	''	·					
						1				_					

May 1, 1987

## THE BELLSOUTH CORPORATION VOLUNTARY SEPARATION INCOME PAY PLAN

SUMMARY PLAN DESCRIPTION

### The BellSouth Corporation Voluntary Separation Income Pay Plan

#### Summary Plan Description

The Voluntary Separation Income Pay Plan (VSIPP) is designed for certain management employees of participating companies whose term of employment is 20 or more years, who elect to voluntarily separate from employment, and who meet the standards set by the participating companies to provide management developmental opportunities and to achieve optimal force balance objectives.

VSIPP provides eligible employees with a lump sum payment and a limited extension of medical benefits for employees not otherwise eligible for extended benefits to ease the transition of voluntary separation from employment.

VSIPP is effective May 1, 1987 and applies to those eligible employees who make a binding election during the period from May 1, 1987 to July 15, 1987 to voluntarily separate from employment and who voluntarily separate from employment pursuant to VSIPP on or before October 31, 1987. VSIPP also applies to certain management employees of participating companies who elect VSIPP benefits and who voluntarily separated from employment under other management voluntary separation plans on or after January 1, 1987 and prior to May 1, 1987, or who have elected prior to May 1, 1987 to separate under such a plan and who actually voluntarily separate from service on or before October 31, 1987.

F01K06H 004950

#### CONTENTS

	Page
PURPOSE	1
PARTICIPATING COMPANIES	1
PARTICIPATION	1
ELIGIBILITY FOR BENEFITS	2
VSIPP BENEFITS	3
REEMPLOYMENT	4
REDUCTION OR OFFSETS	4
SPECIAL TRANSITIONAL BENEFIT	5
EXCLUSIONS AND LIMITATIONS	5
OTHER FACTS	7
Financing Of VSIPP Costs	7
Type of Plan	7
Plan Administration	7
Claim Procedure	8
Appeals Procedure	
Legal Service	9
Plan Records	10
Plan Identification Numbers	10
Plan Continuance	10
Plan Documents	10
BYCKE OF 1 BILL SIBERCIDIUS	10

# Voluntary Separation Incentive Pay Plan BellSouth Corporation

<u>PURPOSE</u>. The Voluntary Separation Incentive Pay Plan (VSIPP) is designed to provide a transition payment to certain management employees of participating companies who elect to voluntarily separate from service under the terms of VSIPP and who meet standards set by the participating companies to achieve optimal force balance and provide for developmental opportunities. VSIPP shall be effective May 1, 1987.

<u>PARTICIPATING COMPANIES</u>. VSIPP is only available to employees of participating companies. The following are the participating companies under VSIPP:

BellSouth Corporation Southern Bell Telephone and Telegraph Company South Central Bell Telephone Company BellSouth Services Incorporated BellSouth Enterprises, Inc. BellSouth Advertising & Publishing Corporation BellSouth Advanced Systems, Inc. Southern Bell Advanced Systems, Inc. South Central Bell Advanced Systems, Inc. BellSouth International, Inc. BellSouth Systems Technology, Inc. BellSouth Mobility Inc BellSouth Government Systems, Inc. BellSouth Information Systems, Inc. Sunlink Corporation BellSouth D.C., Inc. BellSouth Financial Services Corporation

<u>PARTICIPATION</u>. You are considered a participant and eligible to receive benefits under VSIPP, subject to your satisfaction of all applicable mandatory conditions to benefit entitlement described in "Eligibility for Benefits" below, if you meet both of the following criteria:

l. <u>Employment Status</u>. You must be a regular full-time management employee of a participating company actively at work or on a departmental leave not exceeding 30 days. If you are on a leave of absence (other than a 30-day departmental leave) and have mandatory return rights to return from leave pursuant to those return rights prior to November 1, 1987 or are receiving benefits under the Sickness and Accident Disability Plan, you may make an election to separate from service under VSIPP but you will not be considered a participant and eligible for VSIPP benefits, and your election will be disregarded, unless you return to active service as a regular full-time management employee of a participating

company prior to the agreed upon separation from service date. Corporate officers in the Executive Compensation Group are not eligible to participate.

2. Term of Employment. You must have completed, or will complete prior to your separation from service under VSIPP on or before October 31, 1987, 20 years of employment with the company. Your term of employment will include any such employment credited under the Pension Plan's bridging rules provided that such bridge occurs prior to the date you separate from service under VSIPP (your "separation date").

ELIGIBILITY FOR BENEFITS. Assuming that you qualify as a participant, you will be eligible to receive VSIPP benefits only under the following conditions.

- l. <u>Election</u>. You must deliver a binding election to voluntarily separate from service under VSIPP on the form provided for this purpose, including the release included as part of that form, to the VSIPP Administrator for your participating company during the period from May 1, 1987 through July 15, 1987. The VSIPP Administrators and their addresses are listed in the "Plan Administration" section of this booklet. This election will require you to separate from service on or before October 31, 1987, on a date to which you and your participating company may agree, subject only to your entitlement to receive benefits under 2. below or your demonstration to the satisfaction of the BellSouth Vice President-Corporate Human Resources that you should be permitted to revoke your election for good cause related to an unforeseen exceptional hardship.
- Acceptance. Your election to separate from service under VSIPP will not be effective unless it is accepted by your participating company based upon its business needs related to management development opportunities and force planning. If your participating company determines that it cannot accept all separation from service elections from your work organization based upon its business needs as related to force balance objectives and developmental opportunities, the elections of the participants in such organization which will be accepted will be determined solely on the length of their term of employment. The separation elections of the participants in these organizations which are not accepted based on their term of employment will be disregarded and they will not be required to separate from service and will not receive VSIPP benefits. You should be aware that there may be some organizations in a participating company for which no elections will be accepted based on business needs.

from service on or before October 31, 1987 on a date to which you and your participating company may agree. If after making an election to separate under VSIPP, but prior to your actual separation date, your employment terminates by reason of death, disability or termination by your participating company for misconduct, your election to separate under VSIPP is automatically canceled and you will not be eligible to receive VSIPP benefits.

<u>VSIPP BENEFITS</u>. If you meet the conditions for participation and eligibility for benefits above, you will be entitled to receive the following benefits under VSIPP.

- l. <u>Basic Separation Allowance</u>. You will receive a lump sum payment equal to your annual base salary rate in effect as of your separation date. For certain sales employees the Basic Separation Allowance will consist of their annual base salary rate plus their standard sales incentive amount.
- 2. Pension Discount Allowance. In addition, if, as of your separation date, your term of employment is at least 30 years and you are age 50 or older but under age 55, you will receive a lump sum payment equal to the present value of the 3% per year discount in your service pension under the pension plan that is attributable to your separation from service prior to age 55. This present value will be determined based upon your actual service pension, the UP-1984 Mortality Table and the Pension Benefit Guarantee Corporation interest rate for determining the present value of immediate annuities from terminated plans as in effect on January 1, 1987.

In no event, however, will your Pension Discount Allowance exceed your annual base salary rate in effect as of your separation date.

3. <u>Continuation of Group Medical Coverage</u>. If you are eligible for an immediate service pension under the Pension Plan, you will be eligible for extended retiree coverage under the Medical Expense and Dental Expense Plans.

If you are not eligible for an immediate service pension under the Pension Plan, your Medical Expense or Alternate Choice Plan will continue under VSIPP until you receive other group medical coverage or for a maximum of six full months following the end of the month in which you separate from service. The payment of these premiums under VSIPP will be made on the same basis as for active employees. Therefore, for example, if you are covered under an Alternate Choice Plan, any difference in premiums (i.e., excess amount over what the company pays) will be billed to you and must be paid by you.

You also will be given the election under Federal Law (called the Consolidated Omnibus Budget Reconciliation Act of 1985 or "COBRA"), applicable to all employees who terminate employment after 1986, to continue your Vision Care Plan or Dental Expense Plan coverage for 18 months, or extend your Medical Expense Plan or Alternate Choice Plan Coverage from the 7th to the 18th month, following your termination of employment by paying 102% of the monthly premium amount to the COBRA administrator.

4. Estimates and Payments. You will be furnished in late May, 1987 or early June, 1987 an estimate of your Pension Discount Allowance and Pension, assuming a July 31, 1987 separation date.

The determination and payment of your actual Basic Separation Allowance and, if applicable, Pension Discount Allowance, if you meet the conditions for participation and eligibility for benefits above, will be made within 30 days of your separation date.

You should be aware that VSIPP lump sum payments are subject to the appropriate withholding of federal, state, local, and social security (FICA) taxes and are reported on IRS form W-2. Furthermore, a lump sum payment made under the VSIPP has no effect on any pension or other benefits to which you may otherwise be entitled at the time of separation. (See exception under "Reductions or Offsets" below.)

REEMPLOYMENT. In your election for VSIPP benefits, you agree not to apply for reemployment with BellSouth Corporation or any affiliated or subsidiary company or entity. However, if you separate from service under VSIPP and are re-employed by BellSouth Corporation or any affiliated or subsidiary company or entity as an employee, then you will be required to refund to your participating company the entire amount of your VSIPP separation payments.

REDUCTION OR OFFSETS. If you file a claim or proceeding of any kind resulting from your separation of employment, such as a Worker's Compensation or employment discrimination claim, your VSIPP separation pay will be reduced by the amount of any award or settlement from such claim, action or proceeding. Furthermore, as described in "Eligibility for Benefits" above, you are required to sign a release against all such claims, actions or proceedings as a condition to electing VSIPP payments.

BellSouth may withhold VSIPP lump sum payments during the pendency of any such claim, action or proceeding until a final determination is made and then reduce your VSIPP lump sum payments in accordance with any award or settlement. In addition, if you file a claim, action or proceeding against a participating or affiliated company after receiving separation pay under VSIPP and you subsequently receive an award or settlement, your participating company may:

- have a lien on the award or settlement, to the extent' permitted by applicable law, up to the amount of the VSIPP lump sum payments; or
- if no such lien is permissible, require you to repay to the company within 30 days of receipt of any award or settlement an amount equal to such award or settlement up to the full amount of the VSIPP lump sum payments.

SPECIAL TRANSITIONAL BENEFIT. As a special transitional benefit, if you voluntarily separated from service of a participating company before May 1, 1987 but on or after January 1, 1987 under the Management Transition and Assistance Plan ("MTAP") or if prior to May 1, 1987, your election to voluntarily separate from service of a participating company under MTAP has been accepted by that company but you have not separated by May 1, 1987, you will be entitled to elect to receive a Basic Separation Allowance and the Pension Discount Allowance under VSIPP as described in "VSIPP Benefits" above by completing the Election and Release form, and returning it to your VSIPP Coordinator on or before July 15, 1987. Your Election will be considered with all other Elections submitted if you meet the requirements specified in the "Eligibility For Benefits" section of VSIPP. If your Election is accepted, the amount of your Basic Separation Allowance will be based on your annual base salary rate in effect as of your separation date. The benefit amount so determined will be reduced by the amount of any payments you have received, or are entitled to receive in the future, under MTAP.

If you voluntarily separate from service of a participating company after May 1, 1987 pursuant to the BellSouth Management Pension Plan and do not receive benefits under MTAP, you will be entitled to elect to receive a Basic Separation Allowance and the Pension Discount Allowance under VSIPP as described in "VSIPP Benefits" above by completing the Election and Release form, and returning it to your VSIPP Coordinator on or before July 15, 1987. Your Election will be considered with all other Elections submitted if you meet the requirements specified in the "Eligibility For Benefits" section of VSIPP. If your Election is accepted, the amount of your Basic Separation Allowance will be based on your annual base salary rate in effect as of your separation date.

EXCLUSIONS AND LIMITATIONS. The sections above describe the conditions under which you may be eligible to receive VSIPP benefits. Under these conditions:

You will NOT be eligible to participate in VSIPP if

- you are not a full-time regular management employee of a participating company;

- You are an officer in the Executive Compensation Group;
- You are on a disability benefit or a leave of absence (other than a 30-day departmental leave) on your separation date;
- For purposes of the "Special Transitional Benefit" described above, you did not separate from service under MTAP between January 1, 1987 and October 31, 1987.
- For purposes of the "Special Transitional Benefit" described above, you did not separate from service under the BellSouth Management Pension Plan (without receiving MTAP benefits) between May 1, 1987 and October 31, 1987.
- 2. Even if you qualify as a participant, you will NOT be eligible to receive VSIPP benefits if
- no VSIPP elections are accepted for your work organization or you do not qualify for the acceptances based on your term of employment.
- You fail to deliver your binding election, including the release, to your VSIPP Administrator between May 1, 1987 and July 15, 1987;
- You fail to actually separate from service as provided in that election;
- You become disabled, die, or are terminated for cause prior to your agreed upon separation date.
- For purposes of the Pension Discount Allowance described in "VSIPP Benefits" above, your term of employment is less than 30 years service or you are not age 50 or older and less than age 55 on your separation date;
  - 3. In addition, your VSIPP benefits will be limited so that
- in no event will the lump sum amount you receive be more than twice your annual base salary rate in effect as of your separation date:
- Your extended VSIPP medical coverage will expire six months following the month of your separation from service (subject to retiree benefits for service pensioners and your ability to purchase extended coverage for additional periods under COBRA by paying 102% of the cost.)

#### OTHER FACTS.

<u>Financing of VSIPP Costs</u>. Separation payments under VSIPP are paid from the general assets of the participating companies.

Type of Plan. VSIPP is classified as a welfare benefit plan under provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Plan Administration. BellSouth Corporation, 675 West
Peachtree Street, N.E., Atlanta, Georgia 30375, telephone number
(404) 420-8755, is the plan administrator responsible for the
administration of VSIPP. BellSouth Corporation shall act through
its Vice President-Corporate Human Resources or his designated
representative. BellSouth has delegated to the VSIPP Review
Committee the authority and duty to review the denial of any claim
upon receipt of a timely request for a review as provided under
"Claim Procedure" below.

BellSouth has delegated responsibility for handling VSIPP administrative services for the eligible participants of each participating company as follows:

BellSouth Corporation
BellSouth D.C., Inc.
BellSouth Financial Services Corporation
VSIPP Coordinator
42855 Southern Bell Center, 675 West Peachtree Street, N.E.
Atlanta, Georgia 30375
Telephone (404) 420-8755

BellSouth Enterprises, Inc.
BellSouth Government Systems, Inc.
BellSouth Information Systems, Inc.
BellSouth International, Inc.
BellSouth Mobility Inc
BellSouth Systems Technology, Inc.
Sunlink Corporation
VSIPP Coordinator
42U83 Southern Bell Center, 675 West Peachtree Street, N.E.
Atlanta, Georgia 30375
Telephone (404) 420-7129

BellSouth Advanced Systems, Inc.
Southern Bell Advanced Systems, Inc.
South Central Bell Advanced Systems, Inc.
VSIPP Coordinator
Room 281
3500 Blue Lake Drive
Birmingham, Alabama 35243
Telephone (205) 972-1812

-7-

BellSouth Advertising & Publishing Corporation VSIPP Coordinator 59 Executive Park South, N.E. Atlanta, Georgia 30329 Telephone (404) 982-7011

South Central Bell Telephone Company VSIPP Coordinator 600 North 19th Street, 9th Floor Birmingham, Alabama 35201 Telephone (205) 321-8445

BellSouth Services Incorporated VSIPP Coordinator 600 North 19th Street, 21st Floor Birmingham, Alabama 35201 Telephone (205) 321-8168

Southern Bell Telephone and Telegraph Company VSIPP Coordinator 3G60 Southern Bell Center, 675 West Peachtree Street, N.E. Atlanta, Georgia 30375 Telephone (404) 529-8129

Claim Procedure. VSIPP participants, or any person duly authorized by a participant, may file a claim in writing for benefits under VSIPP or any other matter related to VSIPP if they believe they have been treated unfairly with respect to VSIPP. The written claim must be sent to the person listed for the respective participating company under "Plan Administration" above within 60 days of the date of the alleged unfair treatment, or occurrence of other facts giving rise to the claim.

If the claim is denied, the claimant will receive written notice of the Plan Administrator's decision, including the specific reason(s) for the decision, within 90 days of the date the claim was received. In some cases, more than 90 days may be needed to make a decision. In such cases the claimant will be notified in writing, within the initial 90-day period, of the reason more time is needed. An additional 90 days may be taken to make the decision if the claimant is sent such a notice. The extension notice will show the date by which the decision will be sent.

Appeals Procedure. The Appeals Procedure which follows gives the rules for appealing a denied claim.

- A claimant may use this procedure if:
- no reply at all is received by the claimant within 90 days after filing the claim; or

- in cases where a notice has extended the time for an additional 90 days and no reply is received within 180 days after filing the claim; or
- written denial of the claim for benefits or other matters is received within the proper time limit and the claimant wishes to appeal the written denial.

If a claim for benefits or review of any other matter related to VSIPP is denied, the participant, or other duly authorized person, may appeal this denial in writing within 60 days after it is received. Written request for review of any denied claim should be sent directly to the Assistant Vice President-Human Resources Planning and Development, 4418 Southern Bell Center, 675 West Peachtree Street, N.E., Atlanta, Georgia 30375, who will then refer it to the VSIPP Review Committee. Unless the VSIPP Review Committee sends notice in writing that the claim is a special case needing more time, the Committee must conduct a review and decide on the appeal of the denied claim within 60 days after receipt of the written request for review. In special cases, needing more time to make a decision, the VSIPP Review Committee will send notice in writing that there will be a delay and give the reasons for the delay. In such cases, the VSIPP Review Committee may have 60 days more, or a total of 120 days, to make its decision.

If the claimant, or another individual designated by the claimant to represent him/her, sends a written request for review of a denied claim, such person has the right to send to the VSIPP Review Committee a written statement of the issues and any other documents in support of the claim for benefits or other matter under review.

The VSIPP Review Committee's decision shall be given the claimant in writing within 60 days or, if extended, 120 days and shall include the specific reason(s) for the decision. If the VSIPP Review Committee does not give its decision on review within the appropriate time span, the claimant may consider the claim denied. Any decision by the VSIPP Review Committee shall be final and conclusive with respect to all questions arising in administering VSIPP and shall not be subject to further review.

Legal Service. Process can be served on the Plan Adminis ator by recting such service to him at the following address:

Vincent L. Sgrosso-Vice President and Associate General Counsel BellSouth Corporation 4300 Southern Bell Center, 675 West Peachtree Street, N.E. Atlanta, Georgia 30375

<u>Plan Records</u>. The VSIPP and all its records are kept on a calendar year basis, beginning January 1 and ending December 31 of each year.

Plan Identification Numbers. VSIPP is identified by the following numbers under Internal Revenue Service (IRS) rules:

58-1533433 Employer Identification Number assigned by the IRS

PN539 Plan Number assigned by BellSouth

Plan Continuance. BellSouth, through the Vice President-Corporate Human Resources, may from time to time make changes in VSIPP and may terminate VSIPP at any time. VSIPP in any event will automatically terminate November 1, 1987 except to the extent that its administration procedures need to remain in effect to process claims and payments for participants who separated from service prior to that date. Any changes or termination shall not affect any rights under VSIPP to which you may have previously become entitled. VSIPP shall comply with applicable federal laws and applicable state and local laws to the extent not preempted by ERISA, and will be amended, if necessary, in order to satisfy any such requirements.

Plan Documents. This document is intended to serve as both the full text of the Voluntary Separation Income Pay Plan as well as a Summary Plan Description of such plan. Participants in this plan are entitled to examine, without charge, all plan documents, including any documents and reports that are maintained by the plan and/or filed with a Federal Government Agency. These documents are available for review at each VSIPP Administrator's office. If a participant is unable to examine the documents at such a location, he/she should write the VSIPP Administrator, specifying the documents to be examined and at which work location the participant wishes to examine them. Copies of such documents will be made available for examination at that work location within 10 days of the date the request was made.

At any time, participants may request copies of any plan documents by writing to the VSIPP Administrator at 675 West Peachtree Street, N.E. 4418 Southern Bell Center, Atlanta, Georgia 30375. Participants will be charged a reasonable fee for copies of the documents requested.

RIGHTS OF A PLAN PARTICIPANT. As a participant in the Bellsouth Corporation Voluntary Separation Income Pay Plan, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

- examine, without charge, all plan documents and copies of all documents filed by the plan with the U.S. Department of Labor, if any; and
- obtain copies of all plan documents and other plan information upon written request to the Plan Administrator as described above.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of employee benefit plans. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants. No one, including your employer, or any other person, may terminate your employment or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for benefits is denied, in whole or in part, you have certain rights of review as described in this document under "Plan Administration" and "Claim Procedure".

Under IRISA, there are steps you can take to enforce the above rights. For instance, if you request materials from your Plan Administrator and do not receive them within 30 days, you may file suit in a federal court. In such case, the court may require the Plan Administrator to provide the materials and pay up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. 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 will pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if, for example, it finds your claim is frivolous.

If you have any questions about the plan, you should contact the Plan Administrator. If you have any questions about this statement of your rights, or about your rights under ERISA, you should contact your nearest Area Office of the U.S. Labor Management Services Administration, Department of Labor.

December 15, 1988

### BELLSOUTH CORPORATION VOLUNTARY SEPARATION INCOME PAY PLAN

SUMMARY PLAN DESCRIPTION

# BELLSOUTH CORPORATION . VOLUNTARY SEPARATION INCOME PAY PLAN

#### Summary Plan Description

The Voluntary Separation Income Pay Plan ("VSIPP") is designed for certain management employees of participating companies whose terms of employment are 20 or more years, who elect to voluntarily separate from employment, and who meet the standards set by the participating companies.

VSIPP provides eligible employees with a lump sum payment and a limited extension of medical benefits for employees not otherwise eligible for extended benefits to ease the transition of voluntary separation from employment.

VSIPP is effective December 15, 1988 and applies to those eligible employees who make a binding election during the period from December 15, 1988 to January 20, 1989 to voluntarily separate from employment and who voluntarily separate from employment pursuant to VSIPP on or before April 30, 1989. VSIPP also applies to certain management employees of participating companies who elect VSIPP benefits and who voluntarily separated from employment under other management voluntary separation plans or retired on or after November 1, 1988 and prior to December 15, 1988, or who have elected prior to December 15, 1988 to separate under such a plan and who actually voluntarily separate from service on or before April 30, 1989.

### CONTENTS

Pa	g e
PURPOSE	1
PARTICIPATING COMPANIES	1
PARTICIPATION	1
ELIGIBILITY FOR BENEFITS	2
VSIPP BENEFITS	3
REEMPLOYMENT	4
REDUCTION OR OFFSETS	4
SPECIAL TRANSITIONAL BENEFIT	5
EXCLUSIONS AND LIMITATIONS	5
OTHER FACTS	7
Financing of VSIPP Costs	7
Type of Plan	7
Plan Administration	7
Claim Procedure	8
Appeals Procedure	9
Legal Service	9
Plan Records	10
Plan Identification Numbers	10
Plan Continuance	10
Plan Documents	10
210000 40 1 0114 212000000000	• •

### BELLSOUTH CORPORATION VOLUNTARY SEPARATION INCOME PAY PLAN

PURPOSE. VSIPP is designed to provide a transition payment to certain management employees of participating companies who elect to voluntarily separate from service under the terms of VSIPP and who meet standards set by the participating companies to achieve optimal force balance. VSIPP shall be effective December 15, 1988.

PARTICIPATING COMPANIES. VSIPP is only available to employees of participating companies. The following are the participating companies under VSIPP:

BellSouth Corporation Southern Bell Telephone and Telegraph Company South Central Bell Telephone Company BellSouth Services Incorporated BellSouth Enterprises, Inc. BellSouth Advertising & Publishing Corporation BellSouth Advanced Systems, Inc. Southern Bell Advanced Systems, Inc. South Central Bell Advanced Systems, Inc. BellSouth International, Inc. BellSouth Systems Technology, Inc. BellSouth Mobility Inc RellSouth Government Systems, Inc. BellSouth Information Systems, Inc. Sunlink Corporation BellSouth D.C., Inc. BellSouth Financial Services Corporation

PARTICIPATION. You are considered a participant and eligible to receive benefits under VSIPP, subject to your satisfaction of all applicable mandatory conditions to benefit entitlement described in "Eligibility for Benefits" below, if you meet both of the following criteria:

1. Employment Status. You must be a regular full-time management employee of a participating company actively at work or on a departmental leave not exceeding 30 days. If you are on a leave of absence (other than a 30-day departmental leave) and have mandatory return rights to return from leave pursuant to those return rights prior to May 1, 1989 or are receiving benefits under the Sickness and Accident Disability Plan, you may make an election to separate from service under VSIPP but you will not be considered a participant and eligible for VSIPP benefits, and your election will be disregarded, unless you return to active service as a regular full-time management employee of a participating company prior to the agreed upon separation from service date.

۲

2. Term of Employment. You must have completed, on or before April 30, 1989, 20 years of employment with the company unless you separate prior to April 30, 1989 in which case you must have completed 20 years of employment on or before your separation from service. Your term of employment will include any such employment credited under the Pension Plan's bridging rules provided that such bridge occurs prior to the date you separate from service under VSIPP (your "separation date").

ELIGIBILITY FOR BENEFITS. Assuming that you qualify as a participant, you will be eligible to receive VSIPP benefits only under the following conditions.

- 1. Election. You must deliver a binding Election to voluntarily separate from service under VSIPP on the form provided for this purpose, including the Release included as part of that form, to the VSIPP Coordinator for your participating company during the period from December 15, 1988 through January 20, 1989. The VSIPP Coordinators and their addresses are listed in the "Plan Administration" section of this booklet. This Election will require you to separate from service on or before. April 30, 1989, on a date to which you and your participating company may agree, subject only to your entitlement to receive benefits under 2. below, your demonstration to the satisfaction of the BellSouth Executive Vice President-Corporate Ruman Resources that you should be permitted to revoke your election for good cause related to an unforeseen exceptional hardship, or your participating company requiring your employment beyond April 30, 1989, because of your participation in a project which, in the opinion of the participating company, necessitates your employment beyond April 30, 1989. In the event your participating company determines that your employment is required beyond April 30, 1989 the separation date will be set by the participating company but will be no later than October 31, 1989. Approval of your Company President or his designate is necessary for extension of the separation date beyond April 30, 1989.
- 2. Acceptance. Your Election to separate from service under VSIPP will not be effective unless it is accepted by your participating company based upon its business needs related to force planning. If your participating company determines that it cannot accept all separation from service elections from your work organization based upon its business needs as related to force balance objectives, the elections of the participants in such organization which will be accepted will be determined solely on the length of their term of employment. The separation elections of the participants in these organizations which are not accepted based on their term of employment will be disregarded and they will not be required to separate from service and will not receive VSIPP benefits. You should be aware that there may be some organizations in a participating company for which no elections will be accepted based on business needs.

3. Separation from Service. You must actually separate from service on or before April 30, 1989 on a date to which you and your participating company may agree unless your participating company determines that your employment is required beyond that date for the reasons set forth in 1. above. If after making an election to separate under VSIPP, but prior to your actual separation date, your employment terminates by reason of death, disability or termination by your participating company for misconduct, your election to separate under VSIPP is automatically canceled and you will not be eligible to receive VSIPP benefits.

VSIPP BENEFITS. If you meet the conditions for participation and eligibility for benefits above, you will be entitled to receive the following benefits under VSIPP.

- 1. Basic Separation Allowance. You will receive a lump sum payment equal to your annual base salary rate in effect as of December 31, 1988. For certain sales employees the Basic Separation Allowance will consist of your annual base salary rate as of December 31, 1988 plus your standard sales incentive amount.
- 2. Pension Discount Allowance. In addition, if, as of April 30, 1989, your term of employment is at least 30 years and you are age 50 or older but under age 56, you will receive a lump sum payment equal to the present value of the 3% per year discount in your service pension under the pension plan that is attributable to your separation from service prior to age 56. This present value will be determined based upon your actual service pension, the UP-1984 Mortality Table and the Pension Benefit Guarantee Corporation interest rate for determining the present value of immediate annuities from terminated plans in effect on January 1, 1988.

In no event, however, will your Pension Discount Allowance exceed your annual base salary rate in effect as of your separation date.

3. <u>Continuation of Group Medical Coverage</u>. If you are eligible for an immediate service pension under the Pension Plan, you will be eligible for extended retiree coverage under the Medical Expense and Dental Expense Plans.

If you are not eligible for an immediate service pension under the Pension Plan, your Medical Expense or Alternate Choice Plan will continue under VSIPP until you receive other group medical coverage or for a maximum of six full months following the end of the month in which you separate from service. The payment of these premiums under VSIPP will be made on the same basis as for active employees. Therefore, for example, if you are covered under an Alternate Choice Plan, any difference in premiums (i.e., excess amount over what the company pays) will be billed to you

and must be paid by you.

You also will be given the election under Federal Law (called the Consolidated Omnibus Budget Reconciliation Act of 1985 or "COBRA"), applicable to all employees who terminate employment after 1986, to continue your Vision Care Plan or Dental Expense Plan coverage for 18 months, or extend your Medical Expense Plan or Alternate Choice Plan Coverage from the 7th to the 18th month, following your termination of employment by paying 102% of the monthly premium amount to the COBRA administrator.

4. Estimates and Payments. You will be furnished an estimate of your Pension Discount Allowance and Pension, assuming a March 31, 1989 separation date.

The determination and payment of your actual Basic Separation Allowance and, if applicable, Pension Discount Allowance, if you meet the conditions for participation and eligibility for benefits above, will be made within 30 days of your separation date.

You should be aware that VSIPP lump sum payments are subject to the appropriate withholding of federal, state, local, and social security (FICA) taxes and are reported on IRS form W-2. Furthermore, a lump sum payment made under the VSIPP has no effect on any pension or other benefits to which you may otherwise be entitled at the time of separation. (See exception under "Reductions or Offsets" below.)

REEMPLOYMENT. In your election for VSIPP benefits, you agree not to apply for reemployment with SellSouth Corporation or any affiliated or subsidiary company or entity. However, if you separate from service under VSIPP and are reemployed by BellSouth Corporation or any affiliated or subsidiary company or entity as an employee, you will be required to refund to your participating company the entire amount of your VSIPP separation payments.

REDUCTION OR OFFSETS. If you file a claim or proceeding of any kind resulting from your separation of employment, such as a Worker's Compensation or employment discrimination claim, your VSIPP separation pay will be reduced by the amount of any Award or settlement from such claim, action or proceeding. Furthermore, as described in "Eligibility for Benefits" above, you are required to sign a release against all such claims, actions or proceedings as a condition to electing VSIPP payments.

BellSouth may withhold VSIPP lump sum payments during the pendency of any such claim, action or proceeding until a final determination is made and then reduce your VSIPP lump sum payments in accordance with any award or settlement. In addition, if you file a claim, action or proceeding against a participating or affiliated company after receiving separation pay under VSIPP and you subsequently receive an award or settlement, your

participating company may:

- have a lien on the award or settlement, to the extent permitted by applicable law, up to the amount of the VSIPP lump sum payments; or
- if no such lien is permissible, require you to repay to the company within 30 days of receipt of any award or settlement an amount equal to such award or settlement up to the full amount of the VSIPP lump sum payments.

SPECIAL TRANSITIONAL BENEFIT. As a special transitional benefit, if you voluntarily separated from service of a participating company before December 15, 1988 but on or after November 1, 1988 under the Management Transition and Assistance Plan ("MTAP") or if prior to December 15, 1988, your election to voluntarily separate from service of a participating company under MTAP has been accepted by that company but you have not separated by December 15, 1988, you will be entitled to elect to receive a Basic Separation Allowance and the Pension Discount Allowance under VSIPP as described in "VSIPP Benefits" above by completing the Election and Release form, and returning it to your VSIPP Coordinator on or before January 20, 1989. Your Election will be considered with all other Elections submitted if you meet the requirements specified in the "Eligibility For Benefits" section of VSIPP. If your Election is accepted, the amount of your Basic Separation Allowance will be based on your annual base salary rate in effect as of December 31, 1988. The benefit amount so determined will be reduced by the amount of any payments you have received, or are entitled to receive in the future, under MTAP.

If you voluntarily separate from service of a participating company after December 15, 1988 pursuant to the BellSouth Management Pension Plan and do not receive benefits under MTAP, you will be entitled to elect to receive a Basic Separation Allowance and the Pension Discount Allowance under VSIPP as described in "VSIPP Benefits" above by completing the Election and Release form, and returning it to your VSIPP Coordinator on or before January 20, 1989. Your Election will be considered with all other Elections submitted if you meet the requirements specified in the "Eligibility For Benefits" section of VSIPP. If your Election is accepted, the amount of your Basic Separation Allowance will be based on your annual base salary rate in effect as of December 31, 1988.

EXCLUSIONS AND LIMITATIONS. The sections above describe the conditions under which you may be eligible to receive VSIPP benefits. Under these conditions:

- You will NOT be eligible to participate in VSIPP if
  - you are not a full-time regular management employee

#### of a participating company;

- you are on a disability benefit or a leave of absence (other than a 30-day departmental leave) on your separation date;
- for purposes of the "Special Transitional Benefit" described above, you did not separate from service under MTAP between November 1, 1988 and April 30, 1989;
- for purposes of the "Special Transitional Benefit" described above, you did not separate from service under the BellSouth Management Pension Plan (without receiving MTAP benefits) between November 1, 1988 and April 30, 1989.
- 2. Even if you qualify as a participant, you will NOT be eligible to receive VSIPP benefits if
- no VSIPP Elections are accepted for your work organization or you do not qualify for the acceptances based on your term of employment;
- you fail to deliver your binding Election, including the release, to your VSIPP Administrator between December 15, 1988 and January 20, 1989;
- you fail to actually separate from service as provided in that Election;
- you become disabled, die, or are terminated for cause prior to your agreed upon separation date;
- for purposes of the Pension Discount Allowance described in "VSIPP Benefits" above, your term of employment is less than 30 years of service or you are not age 50 or older and less than age 56 on April 30, 1989.
- 3. In addition, your VSIPP Benefits will be limited so that
- in no event will the lump sum amount you receive be more than twice your annual base salary rate in effect as of December 31, 1988;
- your extended VSIPP medical coverage will expire six months following the month of your separation from service (subject to retiree benefits for service pensioners and your ability to purchase extended coverage for additional periods under COBRA by paying 102% of the cost.)

~

#### OTHER FACTS.

Financing of VSIPP Costs. Separation payments under VSIPP are paid from the general assets of the participating companies.

Type of Plan. VSIPP is classified as a welfare benefit plan under provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Plan Administration. BellSouth Corporation, 1155 Peachtree Street, N.E., Atlanta, Georgia 30367-6000, telephone number (404) 249-2147, is the plan administrator responsible for the administration of VSIPP. BellSouth Corporation shall act through its Executive Vice President-Corporate Human Resources or his/her designated representative. BellSouth has delegated to the VSIPP Review Committee the authority and duty to review the denial of any claim upon receipt of a timely request for a review as provided under "Claim Procedure" below.

BellSouth has delegated responsibility for handling VSIPP administrative services for the eligible participants of each participating company as follows:

BellSouth Corporation
BellSouth D.C., Inc.
VSIPP Coordinator
13B02 Campanile
1155 Peachtree Street, N.E.
Atlanta, Georgia 30367-6000
Telephone (404) 249-2121

BellSouth Financial Services Corporation
BellSouth Enterprises, Inc.
BellSouth Government Systems, Inc.
BellSouth Information Systems, Inc.
BellSouth International, Inc.
BellSouth Mobility Inc
BellSouth Systems Technology, Inc.
Sunlink Corporation
 VSIPP Coordinator
 7802 Campanile
 1155 Peachtree Street, N.E.
 Atlanta, Georgia 30367-6000
 Telephone (404) 249-4173

BellSouth Advanced Systems, Inc.
Southern Bell Advanced Systems, Inc.
South Central Bell Advanced Systems, Inc.
VSIPP Coordinator
3000 Riverchase Galleria, Suite 1400
Birmingham, Alabama 35244
Telephone (205) 985-6598

BellSouth Advertising & Publishing Corporation VSIPP Coordinator 59 Executive Park South, N.E. Atlanta, Georgia 30329 Telephone (404) 982-7029

South Central Bell Telephone Company VSIPP Coordinator 600 North 19th Street, 9th Floor Birmingham, Alabama 35201 Telephone (205) 321-2595

BellSouth Services Incorporated VSIPP Coordinator South E7H1 3535 Collonade Parkway Birmingham, Alabama 35243 Telephone (205) 977-3054

Southern Bell Telephone and Telegraph Company
VSIPP Coordinator
42V88 Southern Bell Center, 675 West Peachtree St., N.E.
Atlanta, Georgia 30375
Telephone (404) 529-8129

Claim Procedure. VSIPP participants, or any person duly authorized by a participant, may file a claim in writing for benefits under VSIPP or any other matter related to VSIPP if they believe they have been treated unfairly with respect to VSIPP. The written claim must be sent to the person listed for the respective participating company under "Plan Administration" above within 60 days of the date of the alleged unfair treatment, or occurrence of other facts giving rise to the claim.

If the claim is denied, the claimant will receive written notice of the Plan Administrator's decision, including the specific reason(s) for the decision, within 90 days of the date the claim was received. In some cases, more than 90 days may be needed to make a decision. In such cases the claimant will be notified in writing, within the initial 90-day period, of the reason more time is needed. An additional 90 days may be taken to make the decision if the claimant is sent such a notice. The extension notice will show the date by which the decision will be sent.

•

Appeals Procedure. The Appeals Procedure which follows give the rules for appealing a denied claim.

A claimant may use this procedure if:

- no reply at all is received by the claimant within 90 days after filing the claim; or
- in cases where a notice has extended the time for an additional 90 days and no reply is received within 180 days after filing the claim; or
- written denial of the claim for benefits or other matters is received within the proper time limit and the claimant wishes to appeal the written denial.

If a claim for benefits or review of any other matter related to VSIPP is denied, the participant, or other duly authorized person, may appeal this denial in writing within 60 days after it is received. Written request for review of any denied claim should be sent directly to the Assistant Vice President-Human Resources Planning and Development, 1916 Campanile, 1155 Peachtree Street, N.E., Atlanta, Georgia 30367-6000, who will then refer it to the VSIPP Review Committee. Unless the VSIPP Review Committee sends notice in writing that the claim is a special case needing more time, the Committee must conduct a review and decide on the appeal of the denied claim within 60 days after receipt of the written request for review. In special cases, needing more time to make a decision, the VSIPP Review Committee will send notice in writing that there will be a delay and give the reasons for the delay. In such cases, the VSIPP Review Committee may have 60 days more, or a total of 120 days, to make its decision.

If the claimant, or another individual designated by the claimant to represent him/her, sends a written request for review of a denied claim, such person has the right to send to the VSIPP Review Committee a written statement of the issues and any other documents in support of the claim for benefits or other matter under review.

The VSIPP Review Committee's decision shall be given the claimant in writing within 60 days or, if extended, 120 days and shall include the specific reason(s) for the decision. If the VSIPP Review Committee does not give its decision on review within the appropriate time span, the claimant may consider the claim denied. Any decision by the VSIPP Review Committee shall be final and conclusive with respect to all questions arising in administering VSIPP and shall not be subject to further review.

Legal Service. Process can be served on the Plan Administrator by directing such service to him at the following

#### address:

William B. Barfield Suite 1800 Campanile BellSouth Corporation 1155 Peachtree Street, N.E. Atlanta, Georgia 30367-6000

<u>Plan Records</u>. The VSIPP and all its records are kept on a calendar year basis, beginning January 1 and ending December 31 of each year.

Plan Identification Numbers. VSIPP is identified by the following numbers under Internal Revenue Service (IRS) rules:

58-1533433 Employer Identification Number assigned by the IRS

PN555 Plan Number assigned by BellSouth

Plan Continuance. BellSouth, through the Executive Vice President-Corporate Human Resources, may from time to time make changes in VSIPP and may terminate VSIPP at any time. VSIPP in any event will automatically terminate November 1, 1989 except to the extent that its administration procedures need to remain in effect to process claims and payments for participants who separated from service prior to that date. Any changes or termination shall not affect any rights under VSIPP to which you may have previously become entitled. VSIPP shall comply with applicable federal laws and applicable state and local laws to the extent not preempted by ERISA, and will be amended, if necessary, in order to satisfy any such requirements.

Plan Documents. This document is intended to serve as both the full text of the VSIPP as well as a Summary Plan Description of such plan. Participants in this plan are entitled to examine, without charge, all plan documents, including any documents and reports that are maintained by the plan and/or filed with a Federal Government Agency. These documents are available for review at each VSIPP Administrator's office. If a participant is unable to examine the documents at such a location, he/she should write the VSIPP Administrator, specifying the documents to be examined and at which work location the participant wishes to examine them. Copies of such documents will be made available for examination at that work location within 10 days of the date the request was made.

At any time, participants may request copies of any plan documents by writing to the VSIPP Administrator at 13C02 Campanile, 1155 Peachtree Street, N.E., Atlanta, Georgia 30367-6000. Participants will be charged a reasonable fee for copies of the documents requested.

RIGHTS OF A PLAN PARTICIPANT. As a participant in the Bellsouth Corporation Voluntary Separation Income Pay Plan, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that al. plan participants shall be entitled to:

- examine, without charge, all plan documents and copies of all documents filed by the plan with the U.S. Department of Labor, if any; and
- obtain copies of all plan documents and other plan information upon written request to the Plan Administrator as described above.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of employee benefit plans. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants. No one, including your employer, or any other person, may terminate your employment or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for benefits is denied, in whole or in part, you have certain rights of review as described in this document under "Plan Administration" and "Claim Procedure".

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from your Plan Administrator and do not receive them within 30 days, you may file suit in a federal court. In such case, the court may require the Plan Administrator to provide the materials and pay up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. 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 will pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if, for example, it finds your claim is frivolous.

If you have any questions about the plan, you should contact the Plan Administrator. If you have any questions about this Statement of your rights, or about your rights under ERISA, you should contact your nearest Area Office of the U.S. Labor Management Services Administration, Department of Labor.

# BELLSOUTE CORPORATION VOLUNTARY ENBANCED EARLY RETIREMENT PROGRAM

SUMMARY PLAN DESCRIPTION

F01K06N 004977

Movember 6, 1990

### BELLSOUTE CORPORATION VOLUNTARY ENHANCED EARLY RETIREMENT PROGRAM

#### Summary Plan Description

The Voluntary Enhanced Early Retirement Program (referred to herein as the "Plan" or "V.E.E.R.") is designed for certain management employees of participating companies who are service pension eligible under the BellSouth Management Pension Plan as of December 31, 1990 and who elect to voluntarily separate from employment under the conditions described below.

Eligible employees who separate from employment under the Plan (i) may receive a lump sum payment (or payments), (ii) will receive treatment under the BellSouth Medical Assistance Plan which under the current terms of that plan results in a waiver of certain contribution requirements applicable to retirement medical benefits and (iii) employees retiring in 1991 will receive a cash payment in lieu of unused vacation days. In addition, in connection with this offering, the BellSouth Management Pension Plan (the "Pension Plan") and the BellSouth Supplemental Executive Retirement Plan ("SERP") are being amended to provide certain pension enhancements.

Although you must separate from employment under conditions set forth in the Plan to receive the cash payments and special treatment regarding retirement medical benefits described above, the pension enhancements apply in determining your accrued benefits under the Pension Plan and SERP, if applicable, whether or not you separate from employment under the Plan.

The Pension Plan is being amended (the "V.E.E.R. Pension Plan Amendments") to provide each active employee with five or more years of service under the Pension Plan five additional years of age and service (term of employment) credit for determining the amount of accrued pension benefits as of December 31, 1990. All employees eligible to participate in V.E.E.R. will receive this extra age and service credit. This age and service adjustment will remain in effect until each employee's actual age and service would provide a larger Pension Plan benefit. This amendment applies only to the pension benefit calculation under the basic formula including discounts under the Pension Plan — it does not apply, for example, under the alternate benefit formula under the Pension Plan or in determining service pension eligibility.

In addition, the Pension Plan is being amended to provide that for each employee with a term of employment of thirty or more years as of December 31, 1990 (disregarding the additional five years described above), all age discounts applicable to pension "Talculations will be waived in determining the employee's accrued pension benefits as of December 31, 1990.

SERP is also being amended (the "V.E.Z.R. SERP Amendments") to give an additional five years of age and service credit and to waive all age discounts for employees with thirty or more years of service comparable to those provisions of the V.E.E.R. Pension Plan Amendments.

The Plan is effective December 1, 1990 and applies to those eligible employees who make an election during the period from December 1 to December 31, 1990 to voluntarily separate from employment and who voluntarily separate from employment pursuant to the Plan on a date determined by the participating company after consultation with the employee no later than April 30, 1991.

88

#### CONTENTS

	Page
PARTICIPATING COMPANIES	1
PARTICIPATION	1
ELIGIBILITY FOR BENEFITS	2
PLAN BENEFITS	3
REEMPLOYMENT	4
REDUCTION OR OFFSETS	4
OTHER FACTS	5
Financing of Plan Costs	5
Type of Plan	5
Plan Administration	5
Claim Procedure	6
Appeals Procedure	7
Legal Service	8
Plan Records	8
Plan Identification Numbers	8
Flan Continuance	8
Plan Documents	8
RIGHTS OF A PLAN PARTICIPANT	•

### BELLSOUTH CORPORATION VOLUNTARY ENHANCED EARLY RETIREMENT PROGRAM

PARTICIPATING COMPANIES. The Plan is only available to employees of the following participating companies:

BellSouth Corporation
BellSouth Human Resources Administration, Inc.
BellSouth D.C., Inc.
BellSouth Services Incorporated
South Central Bell Telephone Company
Southern Bell Telephone and Telegraph Company
BellSouth Enterprises, Inc.
BellSouth Communications, Inc.
BellSouth Financial Services Corporation
BellSouth Information Systems, Inc.
BellSouth International, Inc.
BellSouth Resources, Inc.
Sunlink Corporation
BellSouth Advertising & Publishing Corporation
BellSouth Mobility Inc

FARTICIPATION. You are considered a participant and eligible to receive benefits under the Plan, subject to your satisfaction of all applicable mandatory conditions to benefit entitlement described in "Eligibility for Benefits" below, if you meet both of the following criteria:

- anagement employee of a participating company actively at work or on a departmental leave not exceeding 30 days. Officers at the Tier I level are excluded. If you are on a leave of absence (other than a 30-day departmental leave) and have mandatory return rights to return from leave pursuant to those return rights prior to May 1, 1991 or are receiving benefits under the Sickness and Accident Disability Plan, you may make an election to separate from service under the Plan but you will not be considered a participant and eligible for the Plan benefits, and your election will be disregarded, unless you return to active service as a regular full-time management employee of a participating company prior to your planned separation from service date or April 30, 1991, whichever occurs first.
- 2. Service Pension Eligibility. You must be eligible to retire with a "service pension" under the terms of the Pension Plan on December 31, 1990. NOTE: Your actual age and term of employment as of December 31, 1990 will be used for purposes of determining service pension eligibility.

-1-

Under current Pension Plan rules, you are eligible for a service pension if you meet one of the following:

Age	Term of Employme	וח
any age	30 years	
50	25 years	
55	20 years	
65	10 years	

All individuals who satisfy the foregoing criteria and the conditions set forth in "Eligibility for Benefits" below are eligible to participate in the Plan, regardless of their job title or classification, department, or age. All individuals who do not satisfy the foregoing criteria and conditions are not eligible to participate in the Plan, regardless of their job title or classification, department, or age.

ELIGIBILITY FOR BENEFITS. Assuming that you qualify as a participant, you will be eligible to receive Plan benefits only under the following conditions:

- 1. Election. You must make an election (the "Election") to voluntarily separate from service under the Plan on the form provided for this purpose, including the release included as part of that form, during the period from December 1 through December 31, 1990. Your Election form must be hand-delivered, or post-marked if mailed, on or before December 31, 1990 to the Plan Coordinator for your participating company. The Plan Coordinators and their addresses are listed in the Plan Administration section of this booklet. This Election will require you to separate from service on or before April 30, 1991 (or October 31, 1991, under circumstances described in 3 below), on a date determined by your participating company after consultation with you.
- 2. Acceptance. Your Election to separate from service under the Plan will not be effective unless it is accepted by your participating company based upon its business needs related to force planning.
- 3. Separation from Service. You must actually separate from service on or before April 30, 1991 on a date determined by your participating company after consultation with you. Your participating company may, however, require your employment beyond April 30, 1991, because of your participation in an activity which, in the opinion of the participating company, necessitates your employment beyond April 30, 1991. In the event your participating company determines that your employment is required beyond April 30, 1991, the separation date will be set by the participating company but will be no later than October 31, 1991. Approval of your Company President or his/her designate is necessary for extension of the separation date beyond April 30, 1991.

If, after making an election to separate under the Plan but prior to your actual planned separation date, your employment terminates by reason of death, disability (unless you return to active service as a regular full-time management employee prior to your planned separation date or April 30, 1991, whichever occurs first), or termination by your participating company for cause, your election to separate under the Plan is automatically canceled and you will not be eligible to receive Plan benefits.

PLAN BENEFITS. If you meet the conditions for participation and eligibility for benefits above, you will be entitled to receive the following benefits under the Plan:

- 1. Basic Separation Allowance. You will receive a lump sum payment equal to five percent (5%) of your annual base salary rate in effect as of December 31, 1990, multiplied by the number of full years of service you have completed by December 31, 1990, not to exceed twenty (20) years of service, reduced by:
  - (i) the discounted present value of the increase in your benefits under the Pension Plan attributable to the V.E.E.R. Pension Plan Amendments (calculated by BellSouth Corporation using the Pension Plan's actuarial assumptions); and
  - (ii) the amount of the payment to you, if any, described in 2 below regarding the Alternate Pension Formula Allowance; and
  - (iii) the discounted present value of the increase in your benefits, if any, under the SERP attributable to the V.E.E.R. SERP Amendments (calculated by BellSouth Corporation using the Pension Plan's actuarial assumptions).

For certain sales employees the Basic Separation Allowance will be calculated on the basis of your annual base salary rate as of December 31, 1990 plus your standard sales incentive amount.

- 2. Alternate Pension Formula Allowance. If your pension benefit under the Pension Plan calculated under the alternate pension benefit formula (described on pages 14 and 15 of the summary plan description for the Pension Plan dated June 1990) would exceed your actual pension benefit if the additional years of age and service credit under the V.E.E.R. Pension Plan Amendments were applicable to that formula (taking into account all rules applicable to that formula under the Pension Plan), you will receive an additional lump sum payment equal to the discounted present value (calculated by BellSouth Corporation using the Pension Plan's actuarial assumptions) of such excess.
- 3. Vacation Allowance. If you separate from employment under the Plan after December 31, 1990, you will receive a lump sum payment in lieu of unused 1991 vacation days as of the date of your separation from employment.

- 4. Waiver of Contributions for Group Medical Coverage. For purposes of the BellSouth Medical Assistance Plan, or any successor, you will be treated as if you have completed thirty or more years of employment, regardless of your actual term of employment, in order that you will not be required to contribute toward the cost of retirement medical benefits under cost-sharing arrangements generally applicable to retirees with fewer than thirty (30) years of service.
- 5. Estimates and Payments. You will be furnished estimates of your benefits under the Pension Plan and the SERP, if applicable, assuming a December 31, 1990 separation date and a January 1, 1991, pension effective date, which take into account the pension enhancements under the V.E.E.R. Pension Plan Amendments and the V.E.E.R. SERP Amendments.

If you meet the conditions for participation and eligibility for benefits above, the determination and payment of your actual Basic Separation Allowance, if any, and, Alternate Pension Formula Allowance, if applicable, will be made within 30 days of your separation date.

You should be aware that all Plan lump sum payments are considered ordinary income and subject to the appropriate withholding of federal, state, local, and social security (FICA) taxes and are reported on IRS Form W-2. Furthermore, a lump sum payment made under the Plan has no effect on any pension or other benefits to which you may otherwise be entitled at the time of separation. (See exception under "Reductions or Offsets" below.)

REEMPLOYMENT. If you separate from service under the Plan and are reemployed by BellSouth Corporation or any affiliated or subsidiary company or entity as a regular employee, you will be required to refund to your participating company the entire amount of your Plan lump sum payments.

REDUCTION OR OFFSETS. As described in "Eligibility for Benefits" above, as a condition to electing Plan payments, you are required to sign a release waiving your right to pursue any claim, action or proceeding relating to your employment with or termination by BellSouth or your participating company.

Furthermore, if you file a claim or proceeding of any kind resulting from your separation of employment, such as a Workers' Compensation or employment discrimination claim, your Plan separation pay will be reduced by the amount of any award or settlement from such claim, action or proceeding.

In addition, BellSouth may withhold part or all of the Plan lump sum payments during the pendency of any such claim, action or proceeding until a final determination is made and then reduce your Plan lump sum payments in accordance with any award or settlement.

Finally, if you file a claim, action or proceeding against a participating or affiliated company after receiving separation pay under the Plan and you subsequently receive an award or settlement, your participating company may:

- have a lien on the award or settlement, to the extent permitted by applicable law, up to the amount of the Plan lump sum payments; or
- if no such lien is permissible, require you to repay to the company within 30 days of receipt of any award or settlement an amount equal to such award or settlement up to the full amount of the Plan lump sum payments.

#### OTHER FACTS.

<u>Financing of Plan Costs</u>. All lump sum payments under the Plan are paid from the general assets of the participating companies.

Type of Plan. The Plan is classified as a welfare benefit plan under provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Plan Administration. BellSouth Corporation, Room 13C02, 1155 Peachtree Street, N.E., Atlanta, Georgia 30367-6000, is the plan administrator responsible for the administration of the Plan. BellSouth Corporation shall act through its Senior Vice President-Corporate Human Resources or his/her designated representative. BellSouth has delegated to the V.E.E.R. Review Committee, the membership of which shall be designated by the BellSouth Senior Vice President-Corporate Human Resources, the authority and duty to review the denial of any claim upon receipt of a timely request for a review as provided under "Claim Procedure" below.

BellSouth has delegated responsibility for handling Plan administrative services for the eligible participants of each participating company as follows:

BellSouth Corporation BellSouth Human Resources Administration, Inc. BellSouth D.C., Inc.

V.E.E.R. Coordinator 13B02 Campanile 1155 Peachtree Street, N.E. Atlanta, Georgia 30367-6000 Telephone (404) 249-2121

BellSouth Services Incorporated
V.E.E.R. Coordinator
South E712
3535 Colonnade Parkway
Birmingham, Alabama 35243
Telephone (205) 977-2214

South Central Bell Telephone Company
V.E.E.R. Coordinator
600 North 19th Street, 9th Floor
Birmingham, Alabama 35201
Telephone (205) 321-8546

Southern Bell Telephone and Telegraph Company V.E.E.R. Coordinator 42V88 Southern Bell Center 675 West Peachtree St., N.E. Atlanta, Georgia 30375 Telephone (404) 529-8129

BellSouth Enterprises, Inc.
BellSouth Communications, Inc.
BellSouth Financial Services Corporation
BellSouth Information Systems, Inc.
BellSouth International, Inc.
BellSouth Resources, Inc.
Sunlink Corporation
BellSouth Advertising & Publishing Corporation
BellSouth Mobility Inc

V.E.Z.R. Coordinator
Suite 803
1201 Peachtree Street, N.E.
Atlanta, Georgia 30367-6000
Telephone (404) 249-4173

Claim Procedure. Plan participants, or any person duly authorized by a participant, may file a claim in writing for benefits under the Plan or any other matter related to the Plan if they believe they have been treated unfairly with respect to the Plan. The written claim must be sent to the person listed for the respective participating company under Plan Administration above within 60 days of the date of the alleged unfair treatment, or occurrence of other facts giving rise to the claim.

If the claim is denied, the claimant will receive written notice of the V.E.E.R. Coordinator's decision, including the specific reason(s) for the decision, within 90 days of the date the claim was received. In some cases, more than 90 days may be needed to make a decision. In such cases the claimant will be notified in writing, within the initial 90-day period, of the reason more time is needed. An additional 90 days may be taken to make the decision if the claimant is sent such a notice. The extension notice will show the date by which the decision will be sent.

-6-

Appeals Procedure. The Appeals Procedure which follows gives the rules for appealing a denied claim.

A claimant may use this procedure if:

- no reply at all is received by the claimant within 90 days after filing the claim; or
- in cases where a notice has extended the time for an additional 90 days and no reply is received within 180 days after filing the claim; or
- written denial of the claim for benefits or other matters is received within the proper time limit and the claimant wishes to appeal the written denial.

If a claim for benefits or review of any other matter related to the Plan is denied, the participant, or other duly authorized person, may appeal this denial in writing within 60 days after it is received. Written request for review of any denied claim should be sent directly to the Assistant Vice President-Human Resources Planning and Development, 1916 Campanile, 1155 Peachtree Street, N.Z., Atlanta, Georgia 30367-6000, who will then refer it to the V.E.E.R. Review Committee. Unless the V.E.E.R. Review Committee must conduct a is a special case needing more time, the Committee must conduct a review and decide on the appeal of the denied claim within 60 days after receipt of the written request for review. In special cases, needing more time to make a decision, the V.E.E.R. Review Committee will send notice in writing that there will be a delay and give the reason(s) for the delay. In such cases, the V.E.E.R. Review Committee may have 60 days more, or a total of 120 days, to make its decision.

If the claimant, or another individual designated by the claimant to represent him/her, sends a written request for review of a denied claim, such person has the right to send to the V.E.E.R. Review Committee a written statement of the issues and any other documents in support of the claim for benefits or other matter under review.

The V.E.E.R. Review Committee's decision shall be given to the claimant in writing within 60 days or, if extended, 120 days and shall include the specific reason(s) for the decision. If the V.E.E.R. Review Committee does not give its decision on review within the appropriate time span, the claimant may consider the claim denied.

The V.I.I.R. Review Committee shall have the exclusive right and authority to determine benefits under the Plan and its determinations shall be final and conclusive with respect to all questions arising in administering the Plan and shall not be subject to further review. Legal Service. Process can be served on the Flan Administrator by directing such service to him at the following address:

William B. Barfield Suite 1800 Campanile BellSouth Corporation 1155 Peachtree Street, N.E. Atlanta, Georgia 30367-6000

Plan Records. The Plan and all its records are kept on a fiscal year basis, beginning December 1 and ending November 30 of each year.

Plan Identification Numbers. The Plan is identified by the following numbers under Internal Revenue Service (IRS) rules:

58-1533433 Employer Identification Number assigned by the IRS

545 Plan Number assigned by BellSouth

Plan Continuance. BellSouth, through the Senior Vice President-Corporate Human Resources, may from time to time make changes in the Plan and may terminate the Plan at any time. The Plan in any event will automatically terminate April 30, 1991 (or no later than October 31, 1991 if the employment of participant(s) in the Plan is extended beyond April 30, 1991, under the terms of the Plan) except to the extent that its administrative procedures need to remain in effect to process claims and payments for participants who separated from service prior to that date. Any changes or termination shall not affect any rights under the Plan to which you may have previously become entitled. The Plan shall comply with applicable federal laws and applicable state and local laws to the extent not pre-empted by ERISA, and will be amended, if necessary, in order to satisfy any such requirements.

Plan Documents. This document is intended to serve as both the full text of the Plan as well as a Summary Plan Description of such plan. Participants in this plan are entitled to examine, without charge, all plan documents, including any documents and reports that are maintained by the plan and/or filed with a federal Government Agency. These documents are available for review at each Plan Coordinator's office. If a participant is unable to examine the documents at such a location, he/she should write the Plan Administrator, specifying the documents to be examined and at which work location the participant wishes to examine them. Copies of such documents will be made available for examination at that work location within 10 days of the date the request was made.

At any time, participants may request copies of any Plan documents by writing to the Plan Administrator at [13C02] Campanile, 1155 Peachtree Street, N.E., Atlanta, Georgia 30367-6000. Participants will be charged a reasonable fee for copies of the documents requested.

RIGHTS OF A PLAN PARTICIPANT. As a participant in the BellSouth Corporation Voluntary Enhanced Early Retirement Program, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

- examine, without charge, all plan documents and copies of all documents filed by the plan with the U.S. Department of Labor, if any; and
- obtain copies of all plan documents and other plan information upon written request to the Plan Administrator as described above.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of employee benefit plans. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants. No one, including your employer, or any other person, may terminate your employment or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for benefits is denied, in whole or in part, you have certain rights of review as described in this document under "Plan Administration" and "Claim Procedure".

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from your Plan Administrator and do not receive them within 30 days, you may file suit in a federal court. In such case, the court may require the Plan Administrator to provide the materials and pay up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. 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 will pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if, for example, it finds your claim is frivolous.

If you have any questions about the Flan, you should contact he V.E.E.R. Coordinator. If you have any questions about this statement of your rights, or about your rights under ERISA, you should contact your nearest Area Office of the U.S. Labor Management Services Administration, Department of Labor.

er eg

### BELLSOUTE CORPORATION VOLUNTARY ENHANCED EARLY RETIREMENT PROGRAM 1991

SUMMARY PLAN DESCRIPTION

Ray 23, 1991

100

£

F01K06H 094991

# BELLSOUTE CORPORATION VOLUNTARY EMBANCED EARLY RETIREMENT PROGRAM 1991

#### Summary Plan Description

The Voluntary Enhanced Early Retirement Program 1991 (referred to herein as the "Plan" or "VEER '91") is designed to provide special retirement benefits for management employees of participating companies who elect to voluntarily separate from employment under the conditions described below.

The BellSouth Management Pension Plan (the "Pension Plan") is being amended to provide that employees whose combined age and service equals or exceeds sixty-five as of June 1, 1991 (the Rule of 65), and who elect to participate in VEER '91, will be eligible for a service pension under the Pension Plan.

The employees eligible to participate in VEER '91 are all active, full-time management employees of participating companies (other than officers at the Tier I level) who, as of June 1, 1991, are eligible to retire under the Pension Plan with a service pension (including those service pension eligible under the Rule of 65).

Eligible employees who separate from employment under the Plan (i) will retire with a service pension under the Pension Plan, (ii) may elect to receive their Pension Plan benefits in the form of a lump sum payment, (iii) will receive treatment under the BellSouth Medical Assistance Plan as if they have thirty years of service, which under the current terms of that plan results in a waiver of certain contribution requirements applicable to retirement medical benefits and (iv) will receive a cash payment in lieu of unused vacation days. In addition, certain employees may be entitled to a cash payment (outside the Pension Plan) of the type offered under the BellSouth Corporation Voluntary Enhanced Early Retirement Program, effective December 1, 1990 ("VEER").

Pension benefits will reflect the additional five years of age and service included in the pension enhancements made in connection with VERR.

The Plan is effective June 1, 1991 and applies to those eligible employees who make an election during the period from June 1 to July 31, 1991 to voluntarily separate from employment and who voluntarily separate from employment pursuant to the Plan on a date determined by the participating company after consultation with the employee no later than October 31, 1991.

#### CONTENTS

	Page
PARTICIPATING COMPANIES	1
PARTICIPATION	1
ELIGIBILITY FOR BENEFITS	2
PLAN BENEFITS	3
REEMPLOYMENT	5
REDUCTION OR OFFSETS	5
OTHER FACTS	6
Financing of Plan Costs	6
Type of Plan	6
Plan Administration	6
Claim Procedure	7
Appeals Procedure	8
Legal Service	9
Plan Records	9
Plan Identification Numbers	9
Plan Continuance	9
Plan Documents	9
BIGUTE OF A BIAN BARTETBANE	10

£

# BELLSOUTE CORPORATION VOLUNTARY ENHANCED EARLY RETIREMENT PROGRAM 1991

PARTICIPATING COMPANIES. The Plan is only available to employees of the following participating companies:

BellSouth Corporation
BellSouth Human Resources Administration, Inc.
BellSouth D.C., Inc.
BellSouth Services Incorporated
South Central Bell Telephone Company
Southern Bell Telephone and Telegraph Company
BellSouth Enterprises, Inc.
BellSouth Communications, Inc.
BellSouth Financial Services Corporation
BellSouth Information Systems, Inc.
BellSouth International, Inc.
BellSouth Resources, Inc.
Sunlink Corporation
BellSouth Advertising & Publishing Corporation
BellSouth Mobility Inc

PARTICIPATION. You are considered a participant and eligible to receive benefits under the Plan, subject to your satisfaction of all applicable mandatory conditions to benefit entitlement described in "Eligibility for Benefits" below, if you meet both of the following criteria:

- anagement employee of a participating company actively at work or on a departmental leave not exceeding 30 days. Officers at the Tier I level are excluded. If you are on a leave of absence (other than a 30-day departmental leave) and have mandatory return rights to return from leave pursuant to those return rights prior to November 1, 1991 or are receiving benefits under the Sickness and Accident Disability Plan, you may make an election to separate from service under the Plan but you will not be considered a participant and eligible for the Plan benefits, and your election will be disregarded, unless you return to active service as a regular full-time management employee of a participating company prior to your actual separation from service date or November 1, 1991, whichever occurs first.
- 2. Service Pension Eligibility. You must be eligible to retire with a "service pension" under the terms of the Pension Plan on June 1, 1991, under either normal Pension Plan rules or the Rule of 65 described below.

(a) Normal Pension Rules. Under normal Pension Plan rules, you are eligible for a service pension if you meet one of the following:

65

Age	Term of Employment/Net Credited Service
any age	30 years
50	25 years
55	20 years

10 years

(b) Rule of 65. The Pension Plan is being amended in connection with VEER '91 to provide that you may be eligible for a service pension if the sum of your actual age and actual term of employment or net credited service as of June 1, 1991 equals or exceeds sixty-five (65). In order to be service pension eligible under the Rule of 65, you must elect to participate and in fact terminate employment under VEER '91. This is not a permanent Pension Plan feature and eligibility to elect to retire with a service pension under the Rule of 65 will expire on July 31, 1991 at the close of the election window. In addition, only whole years of age (i.e., your actual attained age as of your most recent birthday) and actual full years of your term of employment or net credited service as of June 1, 1991 are counted in determining eligibility under the Rule of 65.

All individuals who satisfy the preceding criteria and the conditions set forth in "Eligibility for Benefits" below are eligible to participate in the Plan, regardless of their job title or classification, department, or age. All individuals who do not satisfy the preceding criteria and conditions are not eligible to participate in the Plan, regardless of their job title or classification, department, or age. More detailed information concerning the ages and titles of individuals who are eligible and who are not eligible to participate in VEER '91 is available, on request, through your Company VEER '91 Coordinator.

ELIGIBILITY FOR BENEFITS. Assuming that you qualify as a participant, you will be eligible to receive Plan benefits only under the following conditions:

1. Election. You must make an election (the "Election") to voluntarily separate from service under the Plan on the form provided for this purpose, including the release included as part of that form, during the period from June 1 through July 31, 1991. Your Election form must be hand-delivered, or post-marked if mailed, on or before July 31, 1991 to the Plan Coordinator for your participating company. The Plan Coordinators and their addresses are listed in the Plan Administration section of this booklet. This Election will require you to separate from service on or before October 31, 1991 (or December 31, 1991, under circumstances described in 2 below), on a date determined by your participating company after consultation with you.

4

- 2. Separation from Service. You must actually separate from service on or before October 31, 1991 on a date determined by your participating company, based upon its business needs relating to force planning, after consultation with you. Your participating company may, however, require your employment beyond October 31, 1991, because of your participation in an activity which, in the opinion of the participating company, necessitates your employment beyond October 31, 1991. In the event your participating company determines that your employment is required beyond October 31, 1991, the separation date will be set by the participating company but will be no later than December 31, 1991. Approval of your Company President or his/her designate is necessary for extension of the separation date beyond October 31, 1991.
- If, after making an election to separate under the Plan but prior to your actual separation date, your employment terminates by reason of death, disability (unless you return to active service as a regular full-time management employee prior to your actual separation date or November 1, 1991, whichever occurs first), or termination by your participating company for cause, your election to separate under the Plan is automatically canceled and you will not be eligible to receive Plan benefits.

PLAN BENEFITS. If you meet the conditions for participation and eligibility for benefits above, you will be entitled to receive the following benefits under the Flan:

- 1. Fension Benefits. You will be entitled to the following pension benefits (which will reflect the additional five years of age and service included in the pension enhancements made in connection with VEER):
- (a) <u>Service Pension</u>. You will receive pension benefits under the <u>Pension Plan</u> (and the BellSouth Corporation Supplemental Executive Retirement Plan (SERF), if you also participate in that plan) under the service pension rules of those plans.
- (b) Lump Sum Option. You may elect to receive your pension benefit under the Pension Plan in the form of a single lump sum distribution. The lump sum distribution amount will equal the discounted present value (as of December 31, 1990) of your anticipated lifetime monthly pension benefit.

Payment of your pension benefits under the Pension Plan as a lump sum will satisfy all obligations of the Pension Plan with respect to those benefits and you will not be entitled to any future pension benefits, such as post-retirement increases in benefits, if any, which may be granted to retirees.

The Pension Plan is being amended to offer temporarily this lump sum payment option. It is not a permanent Pension Plan feature and the opportunity to elect the lump sum option will be available only as provided in the Plan.

In the case of employees entitled to benefits under SERP, the lump sum option applies only to Pension Plan benefits payable from the Pension Plan trust. Accordingly, for those employees, the lump sum option does not include either SERP benefits or "excess benefits" (those in excess of the maximum permissible amount that may be paid from the Pension Plan trust under the tax laws) which are paid directly by participating companies. In the case of employees not eligible for SERP benefits, such "excess benefits" are included in the lump sum option.

- 2. Vacation Allowance. You will receive a cash payment in lieu of unused 1991 vacation days as of the date of your separation from employment.
- 3. Contributions for Post-Retirement Group Medical
  Coverage. For purposes of the BellSouth Medical Assistance Plan,
  or any successor, you will be treated as if you have completed
  thirty (30) or more years of employment, regardless of your
  actual term of employment, in order that you will not be
  required, under current rules, to contribute toward the cost of
  retirement medical benefits under cost-sharing arrangements
  generally applicable to retirees with fewer than thirty (30)
  years of service.
- 4. Cash Payments (Outside the Pension Plan). If, as of December 31, 1990, you either had completed thirty (30) or more actual "years of service" (as that term is used in the Pension Plan) or had attained at least the actual age of fifty-one (51), you may receive a cash payment (in addition to any amounts payable from the Pension Plan) as described below.
- (a) Basic Separation Allowance. You will receive a cash payment equal to five percent (5%) of your annual base salary rate in effect as of December 31, 1990, multiplied by the number of full years of service you had completed on December 31, 1990, not to exceed that annual base salary, reduced by:
- (i) the discounted present value of the increase in your benefits under the Pension Plan attributable to the Pension Plan enhancements made in connection with VEER (calculated by BellSouth Corporation using the Pension Plan's actuarial assumptions applicable to cash-out distributions), determined as of December 31, 1990; and
- (ii) the amount of the payment to you, if any, described in 4(b) below regarding the Alternate Pension Formula Allowance; and

2

(iii) the discounted present value of the increase in your benefits, if any, under the SERP attributable to the SERP enhancements made in connection with VEER (calculated by BellSouth Corporation using the Pension Plan's actuarial assumptions applicable to cash-out distributions), determined as of December 31, 1990.

NOTE: Calculations made under these provisions may, in some cases, result in no payment being made as a Basic Separation Allowance.

For certain sales employees the Basic Separation Allowance will be calculated on the basis of your annual base salary rate as of December 31, 1990 plus your standard sales incentive amount.

- (b) Alternate Pension Formula Allowance. If your pension benefit under the Pension Plan calculated under the alternate pension benefit formula (described on pages 14 and 15 of the summary plan description for the Pension Plan dated June 1990) as of December 31, 1990, would exceed your actual pension benefit as of December 31, 1990, if the five (5) additional years of age and service credit under the Pension Plan amendments made in connection with VEER were applicable to that formula (taking into account all rules applicable to that formula under the Pension Plan), you will receive an additional cash payment equal to the discounted present value (calculated by BellSouth Corporation using the Pension Plan's actuarial assumptions applicable to cash-out distributions) of such excess.
- 5. Estimates and Payments. You will be furnished a statement of your benefits under the Pension Plan and the SERP, if applicable, including the lump sum value of the Pension Plan benefit, as determined on December 31, 1990 under the pension enhancements made in connection with VEER. The actual amount of your pension benefit will be the amount reflected on the statement or, if greater, your pension benefit calculated as of your actual date of retirement disregarding the VEER pension enhancements.

If you meet the conditions for participation and eligibility for benefits above, the determination and payment of your actual Basic Separation Allowance, if any, and Alternate Pension Formula Allowance, if applicable, will be made within 30 days of your separation date.

You should be aware that all Plan cash payments (other than Pension Plan benefits), are considered ordinary income and subject to the appropriate withholding of federal, state, local, and social security (PICA) taxes and are reported on IRS Form W-2.

Also income tax laws applicable to distributions of Pension Plan benefits are extremely complex. This can be particularly true of amounts distributed in a lump sum.

You are encouraged to seek professional tax advice before making any election with regard to those benefits.

Payments made under the Plan (other than Pension Plan benefits) have no effect on any pension or other benefits to which you may otherwise be entitled at the time of separation. (See exception under "Reductions or Offsets" below.)

REEMPLOYMENT. If you separate from service under the Plan and are reemployed by BellSouth Corporation or any affiliated or subsidiary company or entity as a regular employee, you will be required to refund to your participating company the entire amount of your Plan cash payments (other than Pension Plan benefits).

REDUCTION OR OFFSETS. As described in "Eligibility for Benefits" above, as a condition to electing Plan payments, you are required to sign a release waiving your right to pursue any claim, action or proceeding relating to your employment with or termination by BellSouth or your participating company.

furthermore, if you file a claim or proceeding of any kind resulting from your separation of employment, such as a Workers' Compensation or employment discrimination claim, your Plan cash payments (other than benefits payable from the Pension Flan trust) will be reduced by the amount of any award or settlement from such claim, action or proceeding.

In addition, BellSouth may withhold part or all of the Plan cash payments (other than benefits payable from the Pension Plan trust) during the pendency of any such claim, action or proceeding until a final determination is made and then reduce those Plan payments in accordance with any award or settlement.

Finally, if you file a claim, action or proceeding against a participating or affiliated company after receiving cash payments under the Plan and you subsequently receive an award or settlement, your participating company may:

- have a lien on the award or settlement, to the extent permitted by applicable law, up to the amount of the Plan cash payments (other than benefits payable from the Pension Plan trust); or
- if no such lien is permissible, require you to repay to the company within 30 days of receipt of any award or settlement an amount equal to such award or settlement up to the full amount of the Plan cash payments (other than benefits payable from the Pension Plan trust).

•

### OTHER FACTS.

Financing of Plan Costs. All cash payments (other than benefits payable from the Pension Plan trust) under the Plan are paid from the general assets of the participating companies.

Type of Plan. The Plan is classified as a welfare benefit plan under provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Plan Administration. BellSouth Corporation, Room 13C02, 1155 Peachtree Street, N.E., Atlanta, Georgia 30367-6000, is the plan administrator responsible for the administration of the Plan. BellSouth Corporation shall act through its Senior Vice President-Corporate Human Resources or his/her designated representative. BellSouth has delegated to the VEER '91 Review Committee, the membership of which shall be designated by the BellSouth Senior Vice President-Corporate Human Resources, the authority and duty to review the denial of any claim upon receipt of a timely request for a review as provided under "Claim Procedure" below.

BellSouth has delegated responsibility for handling Plan administrative services for the eligible participants of each participating company as follows:

BellSouth Corporation
BellSouth Human Resources Administration, Inc.
BellSouth D.C., Inc.
VEER '91 Coordinator
13B02 Campanile
1155 Peachtree Street, N.E.
Atlanta, Georgia 30367-6000

Telephone (404) 249-2121

BellSouth Services Incorporated
South Central Bell Telephone Company
Southern Bell Telephone and Telegraph Company
VEER '91 Coordinator
South E7A1
3535 Colonnade Parkway
Birmingham, Alabama 35243
Telephone (205) 977-0785

BellSouth Enterprises, Inc.
BellSouth Communications, Inc.
BellSouth Financial Services Corporation
BellSouth Information Systems, Inc.
BellSouth International, Inc.
BellSouth Resources, Inc.
Sunlink Corporation
BellSouth Advertising & Publishing Corporation

BellSouth Mobility Inc VEER '91 Coordinator Room 5C08 1100 Peachtree Street, N.E. Atlanta, Georgia 30367-6000 Telephone (404) 249-4173

Claim Procedure. Plan participants, or any person duly authorized by a participant, may file a claim in writing for benefits under the Plan or any other matter related to the Plan if they believe they have been treated unfairly with respect to the Plan. The written claim must be sent to the person listed for the respective participating company under Plan Administration above within 60 days of the date of the alleged unfair treatment, or occurrence of other facts giving rise to the claim.

If the claim is denied, the claimant will receive written notice of the VEER '91 Coordinator's decision, including the specific reason(s) for the decision, within 90 days of the date the claim was received. In some cases, more than 90 days may be needed to make a decision. In such cases the claimant will be notified in writing, within the initial 90-day period, of the reason more time is needed. An additional 90 days may be taken to make the decision if the claimant is sent such a notice. The extension notice will show the date by which the decision will be sent.

Appeals Procedure. The Appeals Procedure which follows gives the rules for appealing a denied claim.

- A claimant may use this procedure if:
- no reply at all is received by the claimant within 90 days after filing the claim; or
- in cases where a notice has extended the time for an additional 90 days and no reply is received within 180 days after filing the claim; or
- written denial of the claim for benefits or other matters is received within the proper time limit and the claimant wishes to appeal the written denial.

If a claim for benefits or review of any other matter related to the Plan is denied, the participant, or other duly authorized person, may appeal this denial in writing within 60 days after it is received. Written request for review of any denied claim should be sent directly to the Assistant Vice President-Human Resources Planning and Development, 1916 Campanile, 1155 Peachtree Street, N.E., Atlanta, Georgia 30367-6000, who will then refer it to the VEER '91 Review Committee. Unless the VEER '91 Review Committee sends notice in writing that the claim is a special case needing more time, the

~

Committee must conduct a review and decide on the appeal of the denied claim within 60 days after receipt of the written request for review. In special cases, needing more time to make a decision, the VEER '91 Review Committee will send notice in writing that there will be a delay and give the reason(s) for the delay. In such cases, the VEER '91 Review Committee may have 60 days more, or a total of 120 days, to make its decision.

If the claimant, or another individual designated by the claimant to represent him/her, sends a written request for review of a denied claim, such person has the right to send to the VEER '91 Review Committee a written statement of the issues and any other documents in support of the claim for benefits or other matter under review.

The VEER '91 Review Committee's decision shall be given to the claimant in writing within 60 days or, if extended, 120 days and shall include the specific reason(s) for the decision. If the VEER '91 Review Committee does not give its decision on review within the appropriate time span, the claimant may consider the claim denied.

The VEER '91 Review Committee shall have the exclusive right and authority to determine benefits under the Plan and its determinations shall be final and conclusive with respect to all questions arising in administering the Plan and shall not be subject to further review.

Legal Service. Process can be served on the Plan Administrator by directing such service to him at the following address:

William B. Barfield Suite 1800 Campanile BellSouth Corporation 1155 Peachtree Street, N.E. Atlanta, Georgia 30367-6000

Plan Records. The Plan and all its records are kept on a fiscal year basis, beginning June 1 and ending May 31 of each year.

Plan Identification Numbers. The Plan is identified by the following numbers under Internal Revenue Service (IRS) rules:

58-1533433 Employer Identification Number assigned by the IRS

551 Plan Number assigned by BellSouth

Plan Continuance. BellSouth, through the Senior Vice President-Corporate Human Resources, may from time to time make changes in the Plan and may terminate the Plan at any time. The Plan in any event will automatically terminate October 31, 1991 (or no later than December 31, 1991 if the employment of participant(s) in the Plan is extended beyond October 31, 1991, under the terms of the Plan) except to the extent that its administrative procedures need to remain in effect to process claims and payments for participants who separated from service prior to that date. Any changes or termination shall not affect any rights under the Plan to which you may have previously become entitled. The Plan shall comply with applicable federal laws and applicable state and local laws to the extent not preempted by ERISA, and will be amended, if necessary, in order to satisfy any such requirements.

Plan Documents. This document is intended to serve as both the full text of the Plan as well as a Summary Plan Description of such plan. Participants in this Plan are entitled to examine, without charge, all Plan documents, including any documents and reports that are maintained by the Plan and/or filed with a Federal Government Agency, that are required to be disclosed under ERISA. These documents are available for review at each Plan Coordinator's office. If a participant is unable to examine the documents at such a location, he/she should write the Plan Administrator, specifying the documents to be examined and at which work location the participant wishes to examine them. Copies of such documents will be made available for examination at that work location within 10 days of the date the request was made.

At any time, participants may request copies of any Plan documents by writing to the Plan Administrator at 13C02 Campanile, 1155 Peachtree Street, N.E., Atlanta, Georgia 30367-6000. Participants will be charged a reasonable fee for copies of the documents requested.

RIGHTS OF A PLAN PARTICIPANT. As a participant in the BellSouth Corporation Voluntary Enhanced Early Retirement Program 1991, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

- examine, without charge, all plan documents and copies of all documents filed by the plan with the U.S. Department of Labor, if any; and
- obtain copies of all plan documents and other plan information upon written request to the Flan Administrator as described above.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of employee benefit plans. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants. No one, including your employer, or any other person, may

terminate your employment or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for benefits is denied, in whole or in part, you have certain rights of review as described in this document under "Plan Administration" and "Claim Procedure".

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from your Plan Administrator and do not receive them within 30 days, you may file suit in a federal court. In such case, the court may require the Plan Administrator to provide the materials and pay up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. 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. court will decide who will pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if, for example, it finds your claim is frivolous.

If you have any questions about the Plan, you should contact the VEER '91 Coordinator for your participating company. If you have any questions about this statement of your rights, or about your rights under ERISA, you should contact your nearest Area Office of the U.S. Labor Management Services Administration, Department of Labor.

### BELLSOUTH CORPORATION

### VOLUNTARY ENHANCED EARLY RETIREMENT PROGRAM 1991:

### **ELECTION AND RELEASE**

Part I: ELECTION

I have been offered the opportunity and voluntarily elect to participate in the BellSouth Corporation Voluntary Enhanced Early Retirement Program 1991 ("the Plan" or "VEER '91"). Pursuant to that election I agree that my employment by BellSouth Corporation or one of the BellSouth Corporation companies participating in the Plan (hereafter collectively referred to as "BellSouth") will terminate immediately after the close of business on a day to be determined by BellSouth after consultation with me, but not later than October 31, 1991. BellSouth may designate a later termination date, no later than December 31, 1991, because of my participation in an activity which, in the opinion of BellSouth, requires my employment beyond October 31, 1991.

I agree that my election to participate in VEER '91 and to terminate my employment will become binding and irrevocable after seven (7) calendar days following the date that I sign this Election and Release. I understand that BellSouth may accept or reject my election and that it will notify me of its decision to accept or reject. If BellSouth rejects my Election I understand that this Election and Release is revoked.

VEER '91 offers the option of paying my pension benefit under the BellSouth Management Pension Plan (the "Pension Plan") in the form of a single lump sum distribution. I understand that I will forfeit my right to take advantage of this payment option and that my pension benefit will be paid to me on a monthly basis, unless I provide the Benefit Office with a properly completed, signed, and notarized election on a form provided for that purpose within the time period specified in that form.

### Part II: WAIVER AND RELEASE OF CLAIMS

I acknowledge that I was given the opportunity to review and to consider the Plan (which is also a summary plan description for the Plan) and a sample of this Election and Release for a period of at least forty-five (45) days. Prior to the commencement of that forty-five day period I was advised to discuss the terms of the Plan with an attorney. I fully understand the binding nature of this Release and I voluntarily elect to participate in the Plan.

In consideration for the benefits that are being extended to me under the Plan, which benefits represent valuable consideration in addition to other forms of compensation or benefits to which I presently am entitled. I further acknowledge and agree:

1. To waive and release any and all claims, of whatever nature, arising out of my employment, and/or the termination of my employment with BellSouth (other than my right to enforce the terms of the Pian and my right to retirement benefits which have accrued, been funded, and vested as of the date of this release) that I might have pursued against BellSouth, its current and future subsidiaries and divisions, and their directors, officers, employees, attorneys, and

\_

agents, specifically including, but not limited to, all rights and claims that I or anyone acting through me, my estate, or on behalf of me or my estate, might have had or assened under the Age Discrimination in Employment Act of 1967, as amended; the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1866, as amended: the Employee Retirement Income Security Act of 1974, as amended; Executive Orders 11246 and 11141; and all other federal, state, and local statutory or common laws.

To the extent permissible under applicable law and in accordance with the procedures discussed in the "Reductions or Offsets" section of the Plan, if I pursue a claim of the type described in the preceding paragraph. BellSouth shall have the right to withhold or to recoup all or part of the Plan cash payments, if any, other than cash benefits payable from the Pension Plan qualified trust.

- 2. That I am unaware of any actions or inactions by BellSouth which I believe would constitute a violation of any federal, state, or local law, or rule promulgated by any administrative body which has jurisdiction over BellSouth.
- 3. That, in electing to participate in VEER '91, I am not relying on any representation or promise that BellSouth will not offer any future voluntary early retirement plans, or, if BellSouth does offer such a plan, that the plan would not provide benefits different from those provided by VEER '91.
- 4. To repay BellSouth the entire amount of my Plan cash payments, if any, other than benefits payable from the Pension Plan, should I be reemployed by BellSouth Corporation or any affiliated or subsidiary company or entity as a regular employee.
- 5. That if any of the provisions of this Election and Release are deemed unenforceable and/or invalid, then such provisions will be severed and will not have any effect on the remaining provisions of this document.

I HAVE READ AND FULLY UNDERSTAND THE TERMS OF THIS DOCUMENT AND VOLUNTARILY SIGN THIS ELECTION AND RELEASE.

Signature
Name (Please Print)
Social Security Number (Required)
Daytime Telephone Number
Daic

### BELLSOUTH CORPORATION

### VOLUNTARY ENHANCED EARLY RETIREMENT PROGRAM 1991:

### **ELECTION AND RELEASE**

### Part I: ELECTION

I have been offered the opportunity and voluntarily elect to participate in the BellSouth Corporation Voluntary Enhanced Early Retirement Program 1991 ("the Plan" or "VEER '91"). Pursuant to that election I agree that my employment by BellSouth Corporation or one of the BellSouth Corporation companies participating in the Plan (hereafter collectively referred to as "BellSouth") will terminate immediately after the close of business on a day to be determined by BellSouth after consultation with me, but not later than October 31, 1991. BellSouth may designate a later termination date, no later than December 31, 1991, because of my participation in an activity which, in the opinion of BellSouth, requires my employment beyond October 31, 1991.

I agree that my election to participate in VEER '91 and to terminate my employment will become binding and irrevocable after seven (7) calendar days following the date that I sign this Election and Release. I understand that BellSouth may accept or reject my election and that it will notify me of its decision to accept or reject. If BellSouth rejects my Election I understand that this Election and Release is revoked.

VEER '91 offers the option of paying my pension benefit under the BellSouth Management Pension Plan (the "Pension Plan") in the form of a single lump sum distribution. I understand that I will forfeit my right to take advantage of this payment option and that my pension benefit will be paid to me on a monthly basis, unless I provide the Benefit Office with a properly completed, signed, and notarized election on a form provided for that purpose within the time period specified in that form.

### Part II: WAIVER AND RELEASE OF CLAIMS

I acknowledge that I was given the opportunity to review and to consider the Plan (which is also a summary plan description for the Plan) and a sample of this Election and Release for a period of at least forty-five (45) days. Prior to the commencement of that forty-five day period I was advised to discuss the terms of the Plan with an attorney. I fully understand the binding nature of this Release and I voluntarily elect to participate in the Plan.

In consideration for the benefits that are being extended to me under the Plan, which benefits represent valuable consideration in addition to other forms of compensation or benefits to which I presently am entitled. I further acknowledge and agree:

1. To waive and release any and all claims, of whatever nature, arising out of my employment, and/or the termination of my employment with BellSouth (other than my right to enforce the terms of the Plan and my right to retirement benefits which have accrued; been funded, and vested as of the date of this release) that I might have pursued against BellSouth, its current and future subsidiaries and divisions, and their directors, officers, employees, attorneys, and

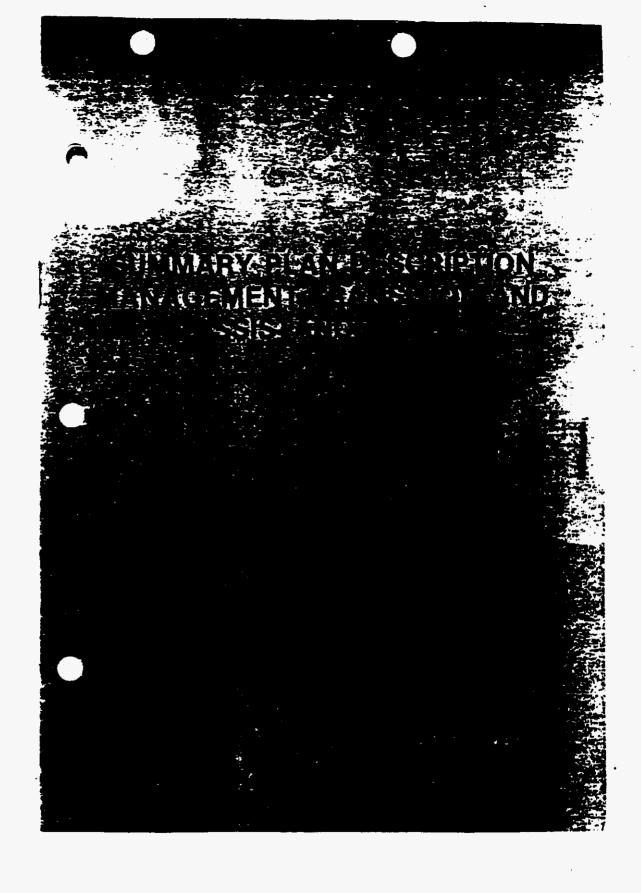
agents, specifically including, but not limited to, all rights and claims that I or anyone acting through me, my estate, or on behalf of me or my estate, might have had or asserted under the Age Discrimination in Employment Act of 1967, as amended; the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1866, as amended; the Employee Retirement Income Security Act of 1974, as amended; Executive Orders 11246 and 11141; and all other federal, state, and local statutory or common laws.

To the extent permissible under applicable law and in accordance with the procedures discussed in the "Reductions or Offsets" section of the Plan, if I pursue a claim of the type described in the preceding paragraph, BellSouth shall have the right to withhold or to recoup all or part of the Plan cash payments, if any, other than cash benefits payable from the Pension Plan qualified trust.

- 2. That I am unaware of any actions or inactions by BellSouth which I believe would constitute a violation of any federal, state, or local law, or rule promulgated by any administrative body which has jurisdiction over BellSouth.
- 3. That, in electing to participate in VEER '91, I am not relying on any representation or promise that BellSouth will not offer any future voluntary early retirement plans, or, if BellSouth does offer such a plan, that the plan would not provide benefits different from those provided by VEER '91.
- 4. To repay BellSouth the entire amount of my Plan cash payments, if any, other than benefits payable from the Pension Plan, should I be reemployed by BellSouth Corporation or any affiliated or subsidiary company or entity as a regular employee.
- 5. That if any of the provisions of this Election and Release are deemed unenforceable and/or invalid, then such provisions will be severed and will not have any effect on the remaining provisions of this document.

I HAVE READ AND FULLY UNDERSTAND THE TERMS OF THIS DOCUMENT AND VOLUNTARILY SIGN THIS ELECTION AND RELEASE.

Signature	7
Name (Please Print)	
Social Security Number	er (Required)
() Daytime Telephone No	umber
Date	



118 F01K0GH 005009

۲

### **CONTENTS**

		٠.	•	•			Page
•	ADMINISTRATION						1
	PARTICIPATION						1
	EXCEPTIONS TO PARTICIPATION				, <b>.</b>		1
	EUGIBIUTY						1
	SEPARATION PAY ALLOWANCE						2
	COMPUTATION OF MTAP PAYMENTS						3
	IRREVOCABILITY						4
	REDUCTION OR OFFSETS						4
	GROUP MEDICAL INSURANCE						5
_	EXCLUSIONS AND LIMITATIONS						5
•	FINANCING OF MTAP COSTS						5
	OTHER FACTS						5
	Type of Pian						5
	Plan Administration						5
	Claim Procedure						6
	Appeals Procedure						6
	Legal Service			٠		٠	7
	Plan Records			•		٠	7
	Plan Identification Numbers						7
	Plan Continuance						7 8
	Plan Documents	, •	٠.	•	٠.	٠	•
	RIGHTS OF A PLAN PARTICIPANT						8

## MANAGEMENT TRANSITION AND ASSISTANCE PLAN BELLSOUTH SERVICES

### **ADMINISTRATION**

The decision to utilize MTAP shall be made by the Vice President — Corporate Affairs, and the decision to implement and administer the Plan is subject to his discretion exercised in a manner consistent with the terms of the Plan. This includes determining for what periods of time the Plan will be in effect, approving implementation, and authorizing all separations and all payments under the Plan.

### **PARTICIPATION**

You are a participant in the Plan if you are a regular full or part-time management employee in Pay Grades 1 through 8 (or equivalent), including Secretaries and pay grade AH, with at least twelve months net credited service and have, individually or as a part of a group, been designated by the Vice President — Corporate Affairs as either "available for reassignment" or "surplus" due to a force imbalance condition.

# EXCEPTIONS TO PARTICIPATION

You will not be considered as eligible for MTAP if you:

- are receiving disability benefits;
- are on a leave of absence (other than a 30-day departmental leave); or
- are not otherwise on the active payroll at the time the application of MTAP is declared.

### **ELIGIBILITY**

If you are a participant in the Plan and are terminated under one of the Plan's programs, you are eligible to receive a payment as provided below:

- Program I Separation in Lieu of Relocation (SILOR), provides a payment for the management employee who is among those designated by the Vice President Corporate Affairs as "available for reassignment" and who, given the option of relocating to a new assignment or electing to voluntarily separate from the Company, elects to separate.
- Program II Voluntary Accelerated Management Attrition Program (VAMAP), provides an incentive payment to expedite normal strition within designated management universes. It is designed to be used during a specified time interval to help alleviste a force imbalance which neither the management of attrition nor the reassignment of employees is expected to alleviste within six months. When utilized, this employee option will be offered in descending order of Net Credited Service.

— Program III — Involuntary Management Attrition Program (IMAP), provides a transition payment for use within designated management universes only after Programs I and II as well as voluntary demotions have failed to alleviate the force imbalance. Employees affected by the force imbalance condition within the designated work groups will be involuntarily separated on the basis of Net Credited Service in ascending order. The involuntary program will continue until the designated force imbalance has been eliminated.

In order to be eligible to receive a payment under one of the MTAP Programs, you must also:

- irrevocably elect, on or before the date specified in the perticular MTAP offering, to voluntarily terminate employment with BellSouth Services or be designated by BellSouth Services for involuntary termination; and
- actually terminate employment on a date acceptable to the Company.

If after the acceptance of an MTAP offer but prior to your termination, you begin receiving disability benefits or if you should die, the MTAP offer is automatically and irrevocably cancelled. If you return to active service from disability, MTAP will only apply if you are offered a new election for, or assigned MTAP by, the Vice President — Corporate Affairs.

# SEPARATION PAY ALLOWANCE

If you are terminated under the provisions of MTAP and have at least twelve months of net credited service, you will receive a lump sum payment based on your annual base salary and net credited service at the time of termination.

Annual base salary (which does not include tump sum team or individual incentive awards) is comprised of your annual base salary rate in effect as of the date of termination, excluding differentials, overtime, carfare, value of meets, and certain other types of special allowances. A corporate equivalent base salary would be used for those managers covered under a sales or other special compensation plan.

Net credited service is your term of employment which includes the current period of your continuous service as well as any periods of prior service that have been credited under bridging of service rules.

For purposes of determining your lump sum payments, only completed years of service will be used (i.e., at least twelve months but less than two years of service equals one year of completed net credited service; two years seven months of service equals two years of completed net credited service).

2

# COMPUTATION OF MTAP PAYMENTS

Eligible employees separated under the provisions of MTAP will receive the appropriate lump sum payment calculated as follows:

Program k	
(a) Multiply .375 times your Annual Base Salary	- S
(b) Multiply \$600 times NCS	- 5
(c) The sum of (a) plus (b)	- S
(d) Divide (c) by 2	(Lump Sum Payment)
Programs if and ill:	
(a) Multiply .5 times your Annual Base Salary	- \$
(b) Multiply \$800 times NCS	- s
(c) The sum of (a) plus (b)	- \$
(d) Divide (c) by 2	to \$ (Lump Sum Payment)
In no event can a payment exceed the annual be EXAMPLES:  Program I:  (a) .375 x Annual Base Salary \$ 30,000  (b) \$600 x 35 years service  (c) \$ 11,250 + \$ 21,000  (d) \$ 32,250 divided by 2	= \$ 11,250 = \$ 21,000 = \$ 32,250 = \$ 16,125
Programs II and III:	(Lump Sum Payment)
(a) .5 x Annual Base Salary \$ 30,000 (b) \$800 x 35 years service (c) \$ 15,000 + \$ 28,000 (d) \$ 43,000 divided by 2	= \$ 15,000 = \$ 28,000 = \$ 43,000 = \$ 21,500 (Lump Sum Payment)

If you are a regular part-time manager eligible for an MTAP payment, your computed amount will be prorated on the basis of the actual number of hours you worked.

3

The lump sum payment is subject to the appropriate withholding of federal, state, local, and social security (FICA) taxes and is reported on IRS Form W-2.

A lump sum payment made under the Management Transition and Assistance Plan has no effect on any pension or other benefits to which you may otherwise be entitled at the time of separation. (See exception under Reductions or Offsets below.)

### IRREVOCABILITY

Your decision to voluntarily terminate under MTAP cannot be revoked prior to your separation except for good cause related to an exceptional hardship condition as determined solely at the discretion of the Vice President — Corporate Affairs. After your separation, your decision cannot be revoked for any reason. This provision does not preclude subsequent re-employment by BellSouth Services or any other company.

If you are terminated under MTAP and are re-employed by BellSouth Services or any affiliated or subsidiary company of BellSouth Corporation, then any separation pay entitlement will be refunded to your former Company in accordance with the following formula:

Total Separation Payment — (½ Previous Monthly Salary times Number of Months Since Separation) =

Amount Refunded to your former Company

### REDUCTIONS OR OFFSETS

If you file a Worker's Compensation claim or similar action on or after the declaration of MTAP by the Vice President — Corporate Affairs, your separation pay will be reduced by the amount of any Worker's Compensation, or similar claim or settlement.

BellSouth Services may withhold the lump sum payment during the pendency of any such Worker's Compensation or similar proceeding until a final determination is made and then reduce your MTAP lump sum payment in accordance with any Worker's Compensation sward or settlement. In addition, if you file a Worker's Compensation or similar claim against BellSouth Services within five years of your receiving separation pay under MTAP and you subsequently receive a Worker's Compensation award or settlement, BellSouth Services may:

- have a lien on the Worker's Compensation or similar award or settlement, to the extent permitted by applicable law, up to the amount of the MTAP lump sum payment; or
- If no such lien is permissible, require you to repay to BellSouth Services within 30 days of receipt of any Worker's Compensation award or settlement an amount equal to such award or settlement up to the full amount of the MTAP lump sum payment.

### GROUP MEDICAL INSURANCE

Your Medical Expense Plan or Alternate Choice Plan coverage will continue on the same basis as you had immediately prior to separation, until you receive other group medical coverage or for a maximum of six full months following the end of the month in which you terminate service. At the end of this six month period, you may elect to continue such coverage for an additional six month period by paying the monthly premium amount through BellSouth Services. These provisions do not apply if you are eligible at separation for an immediate service pension and associated benefits under a tax-qualified pension plan maintained by BellSouth Services.

The payment of these premiums will be made on the same basis as for active employees. Therefore, if you are covered under an Alternate Choice Plan, any difference in Premiums (i.e., excess amount over what the Company pays) will be billed to you.

# EXCLUSIONS AND LIMITATIONS

If you resign or are terminated for reasons other than the conditions outlined in Programs I, II or III, you are not eligible for payments and medical insurance under MTAP.

Medical Insurance Coverge will terminate no later than the end of the sixth full month after the employment termination date, if you are not eligible for an immediate service pension, or if you do not elect to pay the premiums for the additional six months.

### FINANCING OF MTAP COSTS

Separation payments under MTAP are paid from the general assets of BellSouth Services and are charged to the appropriate departmental expense of the Company.

BelSouth Services pays the cost of six months of continued Medical Insurance Coverage on the same basis and to the same extent as it was paid for you at the time of termination of employment.

### OTHER FACTS

TYPE OF PLAN

The Plan is classified as a welfare plan under provisions of the Employee Retirement Income Security Act of 1974.

### PLAN ADMINISTRATION

BellSouth Services, 600 North 19th Street, Birmingham, Alabama 35203, telephone number (205) 321-5500, solely administers this Plan through the Vice Precident — Corporate Affairs for BellSouth Services is the named flduciary who makes determinations concerning when and to what individuals or groups within BellSouth Services, that MTAP should be offered. The MTAP Review Committee is the named flduciary who is to afford a full and fair review of any denial of a claim upon receipt of a timely request for review. The Assistant Vice Precident — Human Resources is the Plan Administrator with responsibility for administering the terms and conditions of the Plan.

5

### CLAIM PROCEDURE

Plan participants, or any person duly authorized by a Plan participant, may file a claim in writing for benefits under this Plan or for review of any other matter related to the Plan if they believe they have been treated unfairly with respect to this Plan. The written claim must be sent to the Assistant Vice President — Human Resources, 600 North 19th Street, Birmingham, Alabma 35203 within 60 days of the date of the alleged unfair treatment, or occurrence of other facts giving rise to the claim.

If the claim is denied, the claimant will receive written notice of the Plan Administrator's decision, including the specific reason(s) for the decision, within 90 days of the date the claim was received. In some cases, more than 90 days may be needed to make a decision. In such cases the claimant will be notified in writing, within the initial 90-day period, of the reason more time is needed. An additional 90 days may be taken to make the decision if the claimant is sent such a notice. The extension notice will show the date by which the decision will be sent.

### APPEALS PROCEDURE

The Appeals Procedure which follows gives the rules for appealing a denied claim.

A claiment may use this procedure if:

- no reply at all is received by the claimant within 90 days after filling the claim;
- in cases when a notice has extended the time for an additional 90 days and no reply is received within 180 days after filling the claim; or
- written denial of the claim for benefits or other matters is received within the proper time limit and the claimant wishes to appeal the written denial.

If a claim for benefits or review of any other matter related to the Plan is denied, the participant, or other duly authorized person, may appeal this denial in writing within 60 days after it is received. Written request for review of any denied claim should be sent directly to the Vice President — Corporate Affairs, 600 North 19th Street, Birmingham, Alabama 35203, who will then refer it to the MTAP Review Committee. Unless the MTAP Review Committee sends notice in writing that the claim is a special case needing more time, the Committee must conduct a review and decide on the appeal of the denied claim within 60 days after receipt of the written request for review. In special cases, needing more time to make a decision, the MTAP Review Committee will send notice in writing that there will be a delay and give the reasons for the delay. In such cases, the MTAP Review Committee may have 60 days more, or a total to 120 days, to make its decision.

If the claimant, or another individual designated by the claimant to represent him/her, sends a written request for review of a denied claim, such person has the right to:

- review pertinent Plan documents which may be obtained by tollowing the procedures described in the section under "Plan Documents," and
- send to the MTAP Review Committee, a written statement of the issues and any other documents in support of the claim for benefits or other matter under review.

The MTAP Review Committee's decision shall be given the claimant in writing within 60 days or, if extended, 120 days, and shall include the specific reason(s) for the decision. If the MTAP Review Committee does not give its decision on review within the appropriate time span, the claimant may consider the claim denied. Any decision by the Review Committee shall be final and conclusive with respect to all questions arising in administering the Plan and shall not be subject to further review.

In any case, as a participant in the Plan, you may have further rights under the Employee Retirement Income Security Act of 1974, as described in the section of this document entitled "Rights of a Plan Participant."

### LEGAL

Process can be served on the Plan Administrator by directing such service to him at the following address:

600 North 19th Street Birmingham, Alabama 35203

### **PLAN RECORDS**

The Management Transition and Assistance Plen and all its records are kept on a calendar year basis — beginning January 1 and ending December 31 of each year.

### PLAN IDENTIFICATION NUMBERS:

This Plan is identified by the following numbers under Internal Revenue Service (IRS) rules:

#63-0523698 assigned by the IRS

#527 assigned by the Company

### PLAN CONTINUANCE

BellSouth Services through the Vice President — Corporate Affairs may from time to time make changes in this Plan and may terminate this Plan at any time. Any changes or termination shall not affect any rights under this Plan to which you may have previously become entitled. This Plan shall comply with applicable state and federal laws and will be amended, if necessary, in order to satisfy any such requirements.

7

### PLAN DOCUMENTS

This document is intended to serve as both the full text of the Management Transition and Assistance Plan as well as a Summary Plan Description of such Plan. MTAP participants are entitled to examine, without charge, all Plan documents, including any documents and reports that are maintained by the Plan and/or filed with a Federal Government Agency. These documents are available for review at the Plan Administrator's office. If a participant is unable to examine the documents at such a location, he/she should write the Plan Administrator, specifying the documents to be examined and at which work location the participant wishes to examine them. Copies of such documents will be made available for examination at that work location within 10 days of the date the request was made.

At any time, participants may request copies of any Plan documents by writing to the Plan Administrator at 600 North 19th Street, Birmingham, Alabama 35203. Participants will be charged a reasonable fee for copies of the documents requested.

### RIGHTS OF A PLAN PARTICIPANT

As a participant in the Management Transition and Assistance Plan, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

- examine, without charge, all Plan documents and copies of all documents filed by the Plan with the U.S. Department of Labor, if any; and
- obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator as described above.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of employee benefit plans. The people who operate your plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants. No one, including your employer, or any other person, may terminate your employment or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for benefits is denied, in whole or in part, you have certain rights of review as described in this document under Claim and Appeals Procedures.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from your Plan Administrator and do not receive them within 30 days, you may file sult in a federal court. In such case, the court may require the Plan Administrator to provide the materials and pay up to \$100 a day until you receive the materials, unless the materials were not sent

because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. 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 will pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if, for example, it finds your claim is frivolous.

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement of your rights, or about your rights under ERISA, you should contact your nearest Area Office of the U.S. Labor Management Services Administration, Department of Labor.

**BELLSOUTH** 

# Management Transition and Assistance Plan

# MANAGEMENT TRANSITION AND ASSISTANCE PLAN (MTAP)

### **PURPOSE**

The Management Transition and Assistance Plan (MTAP) is designed for certain management employees who are terminating employment with BellSouth Corporation or any of its Participating Companies due to a force imbalance condition. MTAP is aimed at easing the transition for eligible employees by providing them with certain lump sum payments.

The term "Participating Company" as used in this Plan shall refer to BellSouth Corporate Headquarters and any subsidiary which shall have determined to participate in this Plan. Addendum A contains a list of all Companies participating in the Plan.

### EFFECTIVE DATE

The Plan, effective April 10, 1984 and amended October 20, 1989, supersedes and replaces any pay plan or practice currently in effect for management terminations due to a force imbalance condition.

### **ADMINISTRATION**

The decision to utilize MTAP shall be made by the Participating Company Officer responsible for Human Resources, with the concurrence of the BellSouth Corporate Officer responsible for Human Resources, and the decision to implement and administer the Plan is subject to the discretion of the Company Officer responsible for Human Resources exercised in a manner consistent with the terms of the Plan. This includes determining for what periods of time the Plan will be in effect, approving implementation, interpreting the terms of the Plan, and authorizing all separations and all payments under the Plan.

### **ELIGIBILITY**

You are eligible to receive benefits under the Plan if you are a regular fullor part-time management employee in Pay Grades 1 through 8 (or equivalent), including Secretaries and Pay Grade AH, with at least twelve months Net Credited Service and have, individually or as a part of a group, been designated by the Company Officer responsible for Human Resources as "surplus" due to a force imbalance condition and are separated under one of the Plan's programs.

You are then eligible to receive a payment as provided below:

- Program I Voluntary Accelerated Management Attrition Program (VAMAP), provides an incentive payment to expendent attrition within designated management universes. It designed to be used during a specified time interval to help alleviate a force imbalance which neither the management of attrition nor the reassignment of employees is expected to alleviate within six months. When utilized, this program will offered in descending order of Net Credited Service.
- Program II Involuntary Management Attrition Program (IMAP), provides a transition payment for use within designated management universes only after Program I as well as voluntary demotions have failed to alleviate the force imbalance. Employees affected by the force imbalance condition within the designated work groups will be involuntarily separated on a basis determined by the Human Resources Department through the guidance of BellSouth Corporate Human Resources. The involuntary program will continue u the designated force imbalance has been eliminated.

In order to be eligible to receive a payment under one of the MTAP Programs, you must also:

- irrevocably elect, on or before the date specified in the particle lar MTAP offering, to voluntarily terminate employment with Participating Company or be designated by your Company for involuntary termination; and
- actually terminate employment on a date acceptable to your Company.

If after the acceptance of an MTAP offer but prior to your termination, you begin receiving disability benefits or if you should expire, the MT. offer is automatically and irrevocably cancelled. If you return to active service from disability, MTAP will apply only if you are offered a new election for, or assigned MTAP by, the Company Officer responsible f Human Resources.

### **EXCEPTIONS TO ELIGIBILITY**

You will not be considered as eligible for MTAP if you:

- are receiving disability benefits during the time MTAP is declared:
- are on a leave of absence (other than a 30-day departmental leave); or
- are not otherwise on the active payroll at the time the application of MTAP is declared.

### SEPARATION PAY ALLOWANCE

If you are terminated under the provisions of MTAP and have at least twelve months of Net Credited Service, you will receive a lump sum payment based on your annual base salary and Net Credited Service at the time of termination.

Annual Base Salary is comprised of your annual base salary rate in effect as of the date of termination, excluding differentials, overtime, carfare, value of meals, lump sum team or individual incentive awards and certain other types of special allowances. A corporate equivalent base salary would be used for those managers covered under a sales or other special compensation plan.

Net Credited Service is your "term of employment" as defined in the BellSouth Corporation Management Pension Plan which includes the current period of your continuous service as well as any periods of prior service that have been credited under bridging of service rules.

For purposes of determining your lump sum payments, only completed years of service will be used (i.e., at least twelve months but less than two years of service equals one year of completed Net Credited Service; two years and seven months of service equals two years of completed Net Credited Service).

### **COMPUTATION OF MTAP PAYMENTS**

Eligible employees separated under Program I or Program II of MTAP will receive a lump sum payment calculated as follows and is subject to the reductions or offsets as provided hereafter:

- (a) 5% of the employee's base pay for every year of completed service [see note below]
- (b) the maximum payout would be 12 months pay for 20 years of service [ or more ]
- (c) the minimum payout would be equal to 25% of the employees' base pay.

In no event can a payment exceed the Annual Base Salary.

### **EXAMPLES**

(1) Annual salary: \$35,000 5% X 20 yrs. = 100% NCS: 20 years or more Payment = \$35,000

(2) Annual salary: \$28.500 5% x 3 yrs. = 15%

NCS: 3 years Payment= \$7.125 (25%)

The lump sum payment is subject to the appropriate withholding of federal, state, local, and social security (FICA) taxes and is reported on IRS Form W-2.

NOTE: For regular part-time management employees eligible for an MTAP payment, the computed amount of the payment will be prorated on the basis of the actual number of hours worked. If there are regular part-time employees in a designated universe, the Assistant Vice President-Human Resources should be consulted to determine the amount of the payment.

A lump sum payment made under the Management Transition and Assistance Plan has no effect on any pension or other benefits to which you may otherwise be entitled at the time of separation. (See exception under "Reductions Or Offsets.")

### **IRREVOCABILITY**

Your decision to voluntarily terminate under MTAP cannot be revoked prior to your separation except for good cause related to an exceptional hardship condition as determined solely at the discretion of the Company Officer responsible for Human Resources. After your separation, your decision cannot be revoked for any reason (This provision does not preclude subsequent re-employment by BellSouth or any of its subsidiaries or affiliated Companies).

If you are terminated under MTAP and are re-employed by BellSouth or any subsidiary or affiliated Company of BellSouth Corporation, any separation pay entitlement will be refunded to your former BellSouth Company in accordance with the following formula:

Total Lump Sum Payment minus (1/2 Previous Montly Salary times Number of Months Since Separation) = Amount Refunded to your former Company.

### **REDUCTIONS OR OFFSETS**

If you file a claim or proceeding of any kind resulting from your termination of employment such as a Worker's Compensation or employment discrimination claim, your MTAP payment will be reduced by the amount of any award or settlement from such claim, action or proceeding. Furthermore, the Participating Company shall have the right to require you to sign a release against all such claims, actions or proceedings as a condition to making your MTAP payment.

The Participating Company may withhold the lump sum payment during the pendency of any claim, action or proceeding until a final determination is made and then reduce your MTAP lump sum payment in accordance with any award or settlement. In addition, if you file a claim, action or proceeding against the Company after receiving a payment under MTAP and you subsequently receive an award or settlement, the Participating Company may:

 have a lien on the award or settlement, to the extent permitted by applicable law, up to the amount of the MTAP lump sum payment; or if no such lien is permissible, require you to repay to the Company within 30 days of receipt of any award or settlement up to the full amount of the MTAP lump sum payment.

### **GROUP MEDICAL INSURANCE**

Your Medical Assistance Plan (MAP) or Alternate Choice Plan coverage will continue at Company expense on the same basis as you had immediately prior to separation, until you become eligible to elect to receive other group medical coverage with another employer, or for a maximum of six full months following the end of the month in which you terminate service, whichever comes first.

At the end of this six month period, you may elect to continue such coverage for an additional six month period by paying to Blue Cross and Blue Shield 100% of the monthly group rate if you are not eligible to receive other group medical coverage. If you are covered under an Alternate Choice Plan, any difference in premiums, i.e., excess amount over what the Company pays, will be billed to you.

Once you have paid for coverage for the six month period, you and your covered dependents are eligible to elect to continue coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA) for up to an additional six months by paying 102% of the group rate. The extended coverage cannot exceed eighteen months from the date of separation. At the appropriate time, the Company will provide you with information on how to elect coverage under COBRA.

### **DENTAL AND VISION PLANS**

Both the Dental Assistance Plan and the Vision Assistance Plan coverage will terminate at the end of the month in which your employment terminates.

You and your eligible dependents are, however, eligible for continued dental and vision coverage under COBRA for a period of eighteen months from the date of separation. This coverage is available at a cost to you of 102% of the group rate. At the time of your separation, the Company will provide you with information on how to elect continued coverage under COBRA.

### **EXCLUSIONS AND LIMITATIONS**

If you resign or are terminated for reasons other than the conditions outlined in Programs I or II, you are not eligible for medical coverage under MTAP.

Medical Coverage will terminate at the end of the sixth full month after the employment termination date, if you are not eligible for an immediate service pension, or if you do not elect to pay the premiums for the additional months as provided.

F81K86N 985825

### FINANCING OF MTAP COSTS

Separation costs under MTAP are paid from the general assets of the Participating Company and are charged to the appropriate departmental expense of that Company.

The Participating Company pays the cost of up to six months of continued Medical Insurance Coverage on the same basis and to the same extent as it was paid for you at the time of termination of employment.

### OTHER FACTS

### **TYPE OF PLAN**

The Plan is classified as a welfare plan under provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

### PLAN ADMINISTRATION

The Participating Companies are responsible for the overall administration of MTAP in their respective companies. The Participating Company shall act through its Company Officer responsible for Human Resources or his/her designated representatives(s). The Company Officer responsible for Human Resources is the named fiduciary who makes determinations concerning when and to which individuals or groups within the Participating Company MTAP will be offered. The Assistant Vice Presidents - Human Resources for the Participating Companies are the Plan Administrators with responsibility for administering the terms and conditions of the Plan. The MTAP Review Committee is the named fiduciary that is to afford a full and fair review of any denial of a claim upon receipt of a timely request for review, and is authorized to interpret the terms of the

Responsibility for handling MTAP administrative services for eligible participants of each Participating Company has been delegated as follows:

BellSouth Corporation
BellSouth D.C., Inc.
BellSouth Human Resources Administration, Inc.
MTAP Coordinator
13B02 Campanile
1155 Peachtree Street, N.E.
Atlanta, Georgia 30367-6000
Telephone (404) 249-2121
BellSouth Advertising & Publishing Corporation
MTAP Coordinator
59 Executive Park South, N.E.
Atlanta, Georgia 30329
Telephone (404) 982-7029

BellSouth Enterprises. Inc.

BellSouth Communications, Inc.

BellSouth Financial Services Corporation

BellSouth Information Systems. Inc.

BellSouth International, Inc.

BellSouth Mobility Inc.

BellSouth Resources, Inc.

Sunlink Corporation

MTAP Coordinator

1201 Peachtree Street

Suite 803

Atlanta. Georgia 30309

Telephone (404) 249-4161

### BellSouth Services Incorporated

**MTAP Coordinator** 

South E7H1

3535 Colonnade Parkway

Birmingham, Alabama 35243

Telephone (205) 977-3054

### South Central Bell Telephone Company

**MTAP Coordinator** 

600 North 19th Street. 9th Floor

Birmingham, Alabama 35201

Telephone (205) 321-2989

### Southern Bell Telephone and Telegraph Company

MTAP Coordinator

42V88 Southern Bell Center

675 West Peachtree Street, N.E.

Atlanta, Georgia 30375

Telephone (404) 529-8129

### **CLAIM PROCEDURE**

Plan participants. or any person duly authorized by a Plan participant, may file a claim in writing for benefits under this Plan or for review of any other matter related to the Plan if they believe they have been treated unfairly with respect to this Plan. The written claim must be sent to the person listed for the respective Participating Company under "Plan Administration" above within 60 days of the date of the alleged unfair treatment, or occurrence of other facts giving rise to the claim.



If the claim is denied, the claimant will receive written notice of the MTAP Coordinator's decision, including the specific reason(s) for the decision, within 90 days of the date the claim was received. In some cases, more than 90 days may be needed to make a decision. In such cases the claimant will be notified in writing, within the initial 90-day period, of the reason more time is needed. An additional 90 days may be taken to make the decision if the claimant is sent such a notice. The extension notice will show the date by which the decision will be sent.

### APPEALS PROCEDURE

The Appeals Procedure which follows gives the rules for appealing a denied claim.

A claimant may use this procedure if:

- no reply at all is received by the claimant within 90 days after filing the claim; or
- a notice has extended the time for an additional 90 days and no reply is received within 180 days after filing the claim; or
- written denial of the claim for benefits or other matters is received within the proper time limit and the claimant wishes to appeal the written denial.

If a claim for benefits or review of any other matter related to the Plan is denied, the participant, or other duly authorized person, may appeal this denial in writing within 60 days after it is received. Written request for review of any denied claim should be sent directly to the Assistant Vice President-Human Resources Planning and Development, 1155 Peachtree Street, NE, Room 1916, Atlanta, Georgia 30367-6000, who will then refer it to the MTAP Review Committee. Unless the MTAP Review Committee sends notice in writing that the claim is a special case needing more time, the Committee must conduct a review and decide on the appeal of the denied claim within 60 days after receipt of the written request for review. In special cases, needing more time to make a decision, the MTAP Review Committee will send notice in writing that there will be a delay and give the reasons for the delay. In such cases, the MTAP Review Committee may have 60 days more, or a total of 120 days, to make its decision.

If the claimant, or another individual designated by the claimant to represent him/her, sends a written request for review of a denied claim, such person has the right to:

- review pertinent Plan documents which may be obtained by following the procedures described in the section under "Plan Documents:" and
- send to the MTAP Review Committee, a written statement of the issues and any other documents in support of the claim for benefits or other matter under review.

The MTAP Review Committee's decision shall be given the claimant in writing within 60 days or, if extended, 120 days, and shall include the specific reason(s) for the decision. If the MTAP Review Committee does not give its decision on review within the appropriate time span, the claimant may consider the claim denied. Any decision by the MTAP Review Committee shall be final and conclusive with respect to all questions arising in administering the Plan and shall not be subject to further review.

In any case, as a participant in the Plan, you may have further rights under the Employee Retirement Income Security Act of 1974 (ERISA), as described in the section of this document entitled "Rights of a Plan Participant."

### **LEGAL SERVICE**

Process can be served on the Plan Administrator by directing such service to the following address:

1155 Peachtree Street Room 1916 Atlanta, Georgia 30367-6000

### PLAN RECORDS

The Management Transition and Assistance Plan and all related records are kept on a calendar year basis - beginning January 1 and ending December 31 of each year.

### PLAN IDENTIFICATION NUMBERS

This Plan is identified by the following numbers under Internal Revenue Service (IRS) rules:

#58-1533433 assigned by the IRS

#527 assigned by BellSouth

### PLAN CONTINUANCE

BELLSOUTH, THROUGH THE CORPORATE OFFICER RESPON-SIBLE FOR HUMAN RESOURCES, MAY FROM TIME TO TIME MAKE CHANGES OR TERMINATE THIS PLAN AT ANY TIME. Any changes or termination shall not affect any rights under this Plan to which you may have previously been entitled. This Plan shall comply with applicable state and federal laws and will be amended, if necessary, in order to satisfy any such requirements.

### PLAN DOCUMENTS

This document is intended to serve as both the full text of the Management Transition and Assistance Plan as well as a Summary Plan Description of such Plan. MTAP participants are entitled to examine, without charge, all Plan documents, including any documents and reports that are maintained by the Plan and/or filed with a Federal Government Agency. These documents are available for review at the Plan Administrator's office. If a participant is unable to examine the documents at such a location, he/she should write the Plan Administrator, specifying the documents to be examined and at which work location the participant wishes to examine them. Copies of such documents will be made available for examination at that work location within 10 days of the date the request was made.

At any time, participants may request copies of any Plan documents by writing to the Plan Administrator at 1155 Peachtree Street, NE, Room 1916, Atlanta, Georgia 30367-6000, Participants will be charged a reasonable fee for copies of the documents requested.

### RIGHTS OF A PLAN PARTICIPANT

As a participant in the Management Transition and Assistance Plan, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

- examine, without charge, all Plan documents and copies of all documents filed by the Plan with the U.S. Department of Labor, if any; and
- obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator as described above.

In addition to creating rights for Plan participants, ERISA imposes duties upon those who are responsible for the operation of employee benefit plans. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants. No one, including your employer, or any other person, may terminate your employment or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA. If your claim for benefits is denied, in whole or in part, you have certain rights of review as described in this document under "Claim and Appeals Procedures."

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from your Plan Administrator and do not receive them within 30 days, you may file suit in a federal court. In such case, the court may require the Plan Administrator to provide the materials and pay up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. 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 oscide who will pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if, for example, it finds your claim is frivolous.

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement of your rights, or about your nights under ERISA, you should contact your nearest Area Office of the U.S. Labor Management Services Administration. Department of Labor.

### ADDENDUM A

The following companies are participating in this Management Transition and Assistance Plan:

BellSouth Corporation
BellSouth D.C., Inc.
BellSouth Human Resources Administration, Inc.
BellSouth Enterprises, Inc.\*
BellSouth Services Inc.
South Central Bell Telephone Company
Southern Bell Telephone & Telegraph Company

### \*BellSouth Enterprises and Subsidiaries

BellSouth Advertising & Publishing Corporation
BellSouth Communications. Inc.
BellSouth Financial Services Corporation
BellSouth Information Systems. Inc.
BellSouth International. Inc. (employees on U.S. payroll only)
BellSouth Mobility Inc
BellSouth Resources. Inc.
Sunlink Corporation

AND OTHER COMPANIES AS APPROVED BY THE BELLSOUTH CORPORATE OFFICER RESPONSIBLE FOR HUMAN RESOURCES.

2828

### Want to go back to school?

# BellSouth offers new education opportunity

BellSouth managers who want to return to college to enhance their careers or to begin teaching may be able to take advantage of a new opportunity—the Career Alternative Plan (CAP).

Managers with 10 years of service or more, who want to go to college or teach, may be eligible to participate in the CAP effective Aug. 1, 1990.

"CAP is a new and positive response to management employees who want to further their education or make the transition into a teaching career," says Roy Howard, senior vice president-corporate human resources. "CAP is very different from plans offered in the past since pay and certain benefits are provided for participants. It's a way for the company to help them make the transition to a new career. However, since CAP is not a leave, reemployment with BellSouth is not guaranteed."

According to Howard, BellSouth will pay managers the company has released to participate, 25 percent of their base salaries at the time CAP participation begins, as well as health and basic life benefits, for a maximum of 36 months. The Tuition Aid Plan is for active employees, and therefore will not be available to CAP participants.

"Managers who meet certain criteria must provide documentation they will be attending an accredited college/university full time, or teaching full time at an accredited primary, secondary or post secondary educational institution," he said. "There are no requirements to study in certain fields, but participants must choose a school accredited by an association or agency recognized by the U.S. Secretary of Education."

Managers can apply for participation in CAP beginning in June, when brochures outlining the plan will be available. To request a brochure and/or application at BellSouth headquarters, fill out the form and send to the CAP coordinator.

Place		i,
	Career Alexantive Plan brochuse and application	.:
NAME	ADDRESS	<del></del> .
WORL		<del></del>

Questions were designed by interdepartmental panels to generate responses from which action can be taken, and they are more focused on issues of concern to employees and the corporation.

"Also, the length of the survey has changed. There are half as many questions as on the last WRS/ECS, conducted in 1988." he said.

According to Gier, Exchange is also different in the way the corporation plans to respond to results. "After responses are collected and processed by an outside firm, special teams within

says.

Company results will be made available to employees in company publications.

"When you receive your survey in May, it's important for you to take the 20 to 30 minutes necessary to complete it, and be candid in your responses.

"It's also important that supervisors give employees time on the job to participate. A high percentage of participation from employees, will give the corporation a good idea of issues we need to work on together," Gier says.



il company paid benefits are terminated at the ne perticipation ends. Participants may range to make Flexible payments on their own they care to continue coverage.

re company assistant vice president with iman resources respoyabilities or a delegate, is the authority to approve participation in the an upon the recommendation of the emoyee's general manager or a delegate.

re company reserves the right to limit the unber of participants in the Plan and the durain of the Plan Reelf, and may allocate participain in whatever manner II deems necessary or propriate.

a participant becomes a proprietor, officer, irtner or employee of, or otherwise becomes Hillated with (i) any business that is in competiin with any BellSouth company, or (ii) any wermment agency having regulatory jurisdicin over the business activities of any BellSouth enpany,then any eligibility for participation in re Plan shall terminate, and there shall be no irther obligations on the company's part as to ich participant.

#### Health benefits

Medical - Company pays

 Company pays Company pays

#### Group life benefits

- Company pays

Dependent Employee pays

FlexLife Employee pays

#### Other benefits

Savings Plans - No coverage

Sickness &

Accident Plan - No coverage

Long Term Disability Plan - No Coverage

Telephone

Service at Reduced Rate - No Coverage

Penalons - (1)

**Pension Death** 

Benefits - No Coverage

(1) If former employee returns to work for BellSouth as a regular employee within three years of termination of CAP participation, pension plan coverage will resume based on service credit at the time participation in CAP began.



#### Career Alternative Plan for BellSouth Management Employees

The BellSouth Career Alternative Plan (CAP) is intended to address three corporate insues:

- It represents the latest in a variety of continuing activities through which the corporation is attempting to make a positive impact on the educational system by providing an opportunity for a manager to attend school or teach in an accredited institution.
- It is a new and positive response to the needs of managers looking for opportunities that cannot be provided within BellSouth by offering them additional career transition opportunitie;
- It represents new incentives to managers to terminate employment, thereby adding options for force surplus reduction and reducing the number of managers available for reassignment.

Any active regular full-time management employee may participate at the discretion of the company in the Career Alternative Plan If:

 adequate documentation is provided that the employee will be attending an accredited post-secondary educational institution on a full-time or equivalent basis for a minimum of an academic year or its equivalent, or

- adequate documentation is provided that the employee will be teaching full-time for an academic year at an accredited primary, secondary or post-secondary educational fastitution, and
- has worked 5 years since reemployed from earlier participation in the Career Alternative Plan, and
- has a satisfactory employment record of at least ten years of Net Credited Service (NCS).

A term of employment of 10 years.

Maximum - Three years
Once approved the participant may continue for a maximum of three years or until earlier termination upon the participant's request or at the discretion of the company.

Pay while participating in the Career Alternative Plan will be equal to 25 percent of the employee's base salary rate at the time participation begins and will be paid at least monthly. The employee is not required to return to work with a BellSouth company in order to receive payment.

The base salary rate for an employee covered by a sales incentive compensation plan, e.g., 70/30-or 90/10-type pay plan, will be the 100 percent rate.

Pay while participating shall be charged to the appropriate overhead expense account of the employee's company at the time participation begins.

No offsets will be made for salary, educational assistance, or other payments received by the employee from any other source external to BellSouth.

Health and basic group life benefits will be contioused in the same manner as for an active employee. Any approved payroll deductions, including premiums for FlexLife and Dependent Group Life, will be deducted from the monthly payments to the extent possible if requested by the employee.

No payments under the BellSouth Tuition Aid Program will be made during participation in the Plan.

The cost of benefits shall be charged to the benefit accounts of the employee's company at the time participation begins.

#### Same Carried

No service credit will be granted for the period of participation in the Plan. However, service will be bridged immediately provided the employee is reemployed as a regular full-time employee within three years from the date participation in the Plan terminates.

#### . .

Employees must provide astisfactory evidence to their company Career Alternative Plan coordinators in the human resources department at the time participation is approved, an at such other times as the Plan may require, that the employee continues to meet the eligibility requirements of the Career Alternative Plan. In the event that participation is terminated by the company at its discretion or satisfactory evidence is not received or the participant is either no longer in good standing or employed by the educational institution, the Plan participation shall terminate and there shall be no further obligations on the company's part as to such participant.

Participants may apply for reemployment to begin work when their participation in CAP terminates. Application is made through the normal Management Employment Center process; however, employment is NOT guaranteed.

## Career Alternative Plan

# BELLSOUTH CAREER ALTERNATIVE PLAN FOR MANAGEMENT EMPLOYEES

#### BELLSOUTH CAREER ALTERNATIVE PLAN

#### FOR

#### MANAGEMENT EMPLOYEES

#### Effective 5/15/91

#### A. PURPOSE

The BellSouth Career Alternative Plan (CAP) addresses four corporate issues:

- 1. It represents the latest in a variety of continuing activities through which the corporation is attempting to make a positive impact on the educational system by providing an opportunity for a manager to attend school or teach, or a combination of both, in an accredited institution or technical/trade school.
- It enhances the continuing efforts of the corporation to improve the quality of life and opportunity in the BellSouth region through active support for community service organizations.
- 3. It is a positive response to the needs of managers looking for opportunities that cannot be provided within BellSouth by offering them additional career transition opportunities.
- 4. It represents an incentive to managers to terminate employment, thereby adding options for force surplus reduction and reducing the number of managers available for reassignment.

#### B. ELIGIBILITY

Any active regular full time management employee may participate at the discretion of the company in the Career Alternative Plan if:

- (1) adequate documentation is provided that the employee will be attending an accredited post secondary educational institution on a full time or equivalent basis for a minimum of an academic year or its equivalent, or
- (2) adequate documentation is provided that the employee will be attending an accredited technical/trade school on a full time or equivalent basis for completion of a course of study leading to certification, or
- (3) adequate documentation is provided that the employee will be teaching full time for an academic year at an accredited primary, secondary or post secondary educational institution or an accredited technical/trade school, or

- (4) adequate documentation is provided that the employee will be teaching and attending school on a combined full time basis, or working full time in an academic position, at an accredited educational institution or an accredited technical/trade school, or
- (5) adequate documentation is provided that the employee will be working full time for a community service organization that is designated by the Internal Revenue Service as a non-profit, tax-exempt organization under Section 501(c)(3) of the IRS code and that satisfies BellSouth eligibility criteria, and
- (6) has worked 5 years since reemployed from earlier participation in the Career Alternative Plan, and
- (7) has a satisfactory employment record of at least eight years of Net Credited Service (NCS).

#### C. EMPLOYMENT ELIGIBILITY

BellSouth will not consider requests for participation in the plan based on employment by membership or professional associations, political groups or churches. However, employment by affiliated educational institutions and community programs that provide a social service and are open to the entire community will be considered (e.g. employment by a church-operated soup kitchen). Employment by organizations that discriminate by race, color, creed or national origin; organizations whose primary purpose is to influence legislation; fraternal organizations; veterans organizations; and labor groups also would not satisfy plan requirements.

#### D. SERVICE REQUIREMENT

A term of employment of 8 years.

#### E. PERIOD OF PARTICIPATION

Maximum - Three years

Once approved the participant may continue for a maximum of three years or until earlier termination upon the participant's request or at the discretion of the Company.

#### F. PAY DURING PARTICIPATION IN PLAN

Pay while participating in the Career Alternative Plan will be equal to 25% of the employee's base salary rate at the time participation begins and will be paid at least monthly.

The employee is not required to return to work with a BellSouth company in order to receive payment.

The base salary rate for an employee covered by a sales incentive compensation plan, e.g., 70/30 or 90/10 type pay plan, will be the 100% rate.

Pay while participating shall be charged to the appropriate overhead expense account of the employee's company at the time participation begins.

No offsets will be made for salary, educational assistance, or other payments received by the employee from any other source external to BellSouth.

#### G. BENEFITS DURING PARTICIPATION IN PLAN

Health and basic group life benefits will be continued in the same manner as for an active employee. Any approved payroll deductions, including premiums for FlexLife, Dependent Group Life, Long Term Care, and Supplemental Transplant Assistance Plan will be deducted from the monthly payments to the extent possible if requested by the employee.

No payments under the BellSouth Tuition Aid Program will be made during participation in the Plan.

The cost of benefits shall be charged to the benefit accounts of the employee's company at the time participation begins.

#### H. SERVICE CREDIT

No service credit will be granted for the period of participation in the Plan. However, service will be bridged immediately provided the employee is reemployed as a regular full time employee within three years from the date participation in the Plan terminated.

#### L COMPANY CONTACT

The employee must provide satisfactory evidence to their company Career Alternative Plan Coordinators in the Human Resources department at the time participation is approved, and at such other times as the Plan may require, that the employee continues to meet the eligibility requirements of the Career Alternative Plan. In the event that participation is terminated by the company at its discretion or satisfactory evidence is not received or the participant is no longer in good standing or employed by the educational institution, technical/trade school, or non-profit, tax-exempt organization, Plan participation shall terminate and there shall be no further obligations on the Company's part as to such participant.

#### J. RETURN RIGHTS

Participants may apply for reemployment to begin work when their participation in CAP terminates. Application is made through the normal Management Employment Center process; however, employment is NOT guaranteed.

All company paid benefits are terminated at the time participation ends. Participants may arrange to make FlexLife and/or Long Term Care payments on their own if they care to continue coverage.

#### K. APPROVAL

The company assistant vice president with human resources responsibilities, or a delegate, has the authority to approve participation in the Plan upon the recommendation of the employee's general manager or a delegate.

The company reserves the right to limit the number of participants in the plan and the duration of the plan itself, and may allocate participation in whatever manner it deems necessary or appropriate.

#### L. NON-COMPETITION REQUIREMENT

If a participant becomes a proprietor, officer, partner or employee of, or otherwise becomes affiliated with (i) any business that is in competition with any BellSouth company or (ii) any government agency having regulatory jurisdiction over the business activities of any BellSouth company, then any eligibility for participation in the Plan shall terminate, and there shall be no further obligations on the company's part as to such participant.

#### M. ELIGIBILITY TO BENEFITS DURING PARTICIPATION

#### Health benefits

Medical - Company pays

Dental - Company pays

Vision - Company pays

Supplemental Transplant Assistance Plan (STAP)

Employee pays

Group life benefits

Basic - Company pays

Dependent - Employee pays

FlexLife - Employee pays

Other benefits

Savings Plans - No coverage

Sickness & Accident Plan - No coverage

Long Term Disability Plan - No coverage

Telephone Service

at Reduced Rate - No coverage

Pensions - (1)

Pension Death Benefits - No coverage

Long Term Care (LTC) - Employee pays

(1) If former employee returns to work for BellSouth as a regular employee within three years of termination of CAP participation, pension plan coverage will resume based on service credit at the time participation in CAP began.

## Comparison of Enhanced Personal Leave, Sabbatical Leave and CAP For Management Employees

SUBJECT	Enhanced Personal Leave	Sabbatical Leave	CAP				
I. Purpose/Objectives	Unpaid period of absence for following reasons:  • adoption of child (not covered by CNC)  • become foster parent  • custodial care of family member  • personal matter  • moving with spouse  • transfer to another BellSouth company  • break from routine work environment  • attend school	Unpaid period of absence for following reasons:  • pursue career change or personal goals  • develop skills  Note: The above reasons encompass those stated for a personal leave.	Partially paid period of absence for following reasons:  attend school  teach school  work for non-profit, tax-exempt organization				
2. Eligibility	Regular managers with at least 6 months service.	Regular full-time managers at Pay Grade 8 and below or equivalents with at least 8 years service.	Regular full-time managers with at least 8 years service.				
3. Maximum Period of absence	60 Months	36 Months	36 Months				

### Comparison of Enhanced Personal Leave, Sabbatical Leave and CAP

## For Management Employees

SUBJECT	Enhanced Personal Leave	Sabbatical Leave	CAP				
	Company Employee	Company Employee	Company Employee				
I. Benefits	Paid Paid	Paid Paid	Paid Paid				
Medical	X	) x	) X				
Dental	x	X	( X				
Vision	x	X	X				
Group Life	X	X	X				
FlexLife	x	X	{ x				
STAP	X	X	X				
LTC	X	X	X				
Tuition	Not available	X (Limited to \$3K annually)	Not available				
Telephone Concession	X (3 Months)	Not available	Not available				
i. Compensation	No	No	Yes (25% of annual salary				
6. Employment Elsewhere?	Yes (Except with BellSouth control group of companies or their competitors)	Yes (Except with BellSouth control group of companies or their competitors)	Yes 1. Teach 2. Non-profit, tax exempt organization				
7. Attend School?	Yes	Yes	Yes 1. Accredited post secondary institution				

## Comparison of Enhanced Personal Leave, Sabbatical Leave and CAP

## For Management Employees

SUBJECT	Enhanced Personal Leave	Sabbatical Leave	CAP
8. Reinstatement Guaranteed?	No	Yes	No
9. Service Credit	If return at expiration of leave, service bridged immediately with I month service credit.	If return at expiration of leave, service bridged immediately. No credit for the period of the leave.	If reemployed within 3 years from date participation ended, service bridged immediately. No credit for the period of the leave.
10. Employee Audience	I. Regular full-time management employees with less than 8 years NCS.  Z. All regular part-time management employees.	Regular full-time management employees at Pay Grade 8 and below or equivalent with at least 8 years NCS.	Regular full-time management employees with at least 8 years NCS.

Southern Bell

**Effective** 

August 7, 1983

units in the building.

- 6. He shall be reimbursed for other actual expenses as follows:
  - a. Expenses incurred for disconnecting normal household appliances at the old residence and reconnecting said appliances at his new residence. This item includes the expense of providing interior wiring (including 220 volt wiring) and interior pipe and tubing extensions which are necessary in order to use the electric or gas appliances which are being moved from the residence at the old location. The expenses of new or rearranged entrance facilities for either gas or electricity are not to be included. It is also understood that appliances as used in this paragraph do not apply to television antenna installations at either the old or the new residence.
  - b. Connection charges for utility services. This item includes only charges which are paid to the utility as a connection charge and does not include advance deposits required by the utility as insurance for the payment of future utility bills.
  - c. Expenses incurred for refitting, installation or laying of drapes, curtains, rugs or carpets. This item is limited only to the cost of installation and refitting of drapes and curtains and the refitting and laying of rugs or carpets and does not include any replacement cost or the cost of any additional or new material.
- B. Any change in the designation of an employee's headquarters town shall be considered and treated as a transfer for the purposes of this Section.
- 8.07 Supplemental Income Protection Program, Voluntary Income Protection Program and Extended Medical Coverage.
  - A. Supplemental Income Protection Program
    - 1. If during the term of this agreement, the Company notifies the Union in writing that technological change (defined as changes in equipment or methods of operation) has or will create a surplus in any job title in a work location which will

necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to work locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees under the normal retirement age as defined in the Bell System Pension Plan (BSPP) or its applicable successor plan, as of the effective date of termination of employment (whether or not eligible for a service pension) in the affected job titles and work locations who have at least twenty years of net credited service and whose age and years of net credited service, in sum. total seventy-five or more as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Supplemental Income Protection benefits described in this Section subject to the following conditions:

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he or she so elects, leave the service of the Company pursuant to this Section. Neither such determination by the Company nor any other part of this Section shall be subject to arbitration.
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
- c. An employee's election to leave the service of the Company and receive Supplemental Income Protection benefits must be in writing and transmitted to the Company within fifteen (15) days from the date of the Company's offer in order to be effective and it may not be revoked after such fifteen (15) day period.
- 2. Subject to limitations in paragraphs 4 and 6, employees who so elect to leave the service of the Company and receive Supplemental Income Protection benefits may receive in combination with such benefits either (1) a retirement service

pension if eligible for such pension or, if not eligible, (2) a termination allowance, if otherwise entitled, in an amount determined in accordance with basic contract provisions, but not both.

- 3. Supplemental Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph 1 shall begin within one month after such employee has left the service of the Company to continue until (1) 48 payments have been made; or (2) the end of the month in which the recipient attains normal retirement age as defined in the BSPP, or its applicable successor plan, whichever occurs earlier.
- 4. For an employee who so elects in accordance with Paragraph 1, the Company will pay monthly as Supplemental Income Protection Payments; (i) \$8.00 for each year of net credited service (including a pro-rated amount for any partial year of service) plus (ii) 40% of the final full-time basic weekly or equivalent wage rate for the employee's job title and location adjusted as set forth in Paragraph 5 for any periods of part-time service of the employee. In no case, however, shall the monthly payment hereunder exceed in aggregate a total of \$400.00 per month. In addition to the monthly benefits, for an employee who so elects in accordance with Paragraph 1, the Company will pay a lump sum payment based on years of net credited service (pro-rated for part-time service as set forth in Paragraph 5) as follows:

Less tha	n 25	Years	•	٠.	٠					. 52000
25 to 30	Year	<b>S</b>								\$2500
30 Years	and	Over	 		 					. \$3000

Such lump sum payment will be made within sixty (60) days after the employee has left the service of the Company or at the employee's option will be made in the first quarter of the calendar year following the employee's termination of service. The maximum amount of Supplemental Income Protection Benefits payable including any lump sum payment shall in no event exceed a total of \$22,200.

5. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in the preceding

paragraph for purposes of determining the monthly payment and the lump sum payment shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as calculated in the BSPP or its applicable successor plan.

- 6. In no event shall the combination of Supplemental Income Protection Payments (including any lump sum payment) and any termination, layoff or similar allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, Supplemental Income Protection payments shall be reduced by the amount of any termination layoff or similar allowance paid to the employee so that the combination of Supplemental Income Protection payments and termination or other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.
- 7. As used in this Section, "annual compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments.
- 8. In addition to the conditions set forth above any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - a. Re-employment of the recipient by the Company;
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the company.
- B. Voluntary Income Protection Program.
  - 1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined as changes in equipment or methods of operation) has or will

•••••••••

444

444

create a surplus in any job title in any work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to locations requiring a change of residence, or if a force surplus necessitating any of the above actions exist for reasons other than technological change and the Company deems it appropriate, employees (i) who are under the normal retirement age as defined in the Bell System Pension Plan (BSPP) or its applicable successor plan as of the effective date of termination of employment in the affected job titles and work locations (ii) who have at least two years of net credited service and (iii) who are not eligible for a service pension under the terms of the Bell System Pension Plan (BSPP) or its applicable successor plan or Supplemental Income Protection payments, as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Voluntary Income Protection benefits described in this section subject to the following conditions:

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he or she so elects, leave the service of the Company pursuant to this section. Neither such determinations by the Company nor any other part of this Section shall be subject to arbitration.
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
- c. An employee's election to leave the service of the Company and receive Voluntary Income Protection benefits must be in writing and transmitted to the Company within 30 days from the date of the Company's offer in order to be effective.
- 2. In any force surplus situation where this provision may be applicable it will not be implemented by the Company unless and until employees in the affected job titles and work

locations who are eligible have had an opportunity to elect to leave the service of the Company and receive Supplemental Income Protection benefits.

- 3. Voluntary Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph 1 shall begin at the next applicable payroll date after such employee has left the service of the Company. Payments will not continue beyond (i) 60 weeks after the employee has left the service of the Company; or (ii) the end of the month in which the recipient attains normal retirement age as defined in the BSPP or its applicable successor plan, whichever occurs earlier. Payments will be made coincident with normal payroll periods for the work group in which the recipient was employed immediately prior to terminating employment.
- 4. For an employee who so elects in accordance with Paragraph 1, the Company will pay as Voluntary Income Protection payments:
  - For each year of net credited service up to ten (10) years, one week of pay, and
  - For each year of net credited service in excess of ten (10) years up to twenty (20) years, two weeks of pay, and
  - For each year of net credited service in excess of twenty (20) years up to thirty (30) years, three weeks of pay.

Such pay shall be equal to the recipient's basic rate of pay at the time of termination of employment. For any partial year of service, the payments set forth above will be prorated.

5. In addition to the payments set forth in Paragraph 4, for an employee who so elects in accordance with Paragraph 1, the Company will reimburse the employee for actual expenses incurred for relocation costs, tuition or training costs, or job placement expenses related to seeking other employment, or any combination thereof, up to an amount not to exceed \$500 for each year of net credited service (prorated for any partial year of service) to a maximum of \$2,500. Any such expenses for which reimbursement will be made must be approved by the Company prior to being incurred and must be incurred within one year from the date of termination of employment

- except that reimbursement for tuition or training cost will be made for such expenses incurred within two years from the date of termination of employment.
- 6. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in this Section for purposes of determining the periodic payment and the lump sum reimbursement shall be prorated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as termination or layoff allowances are calculated.
- 7. In no event shall the Voluntary Income Protection payments (including any lump sum reimbursement) and any other allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, the Voluntary Income Protection payments shall be reduced by the amount of any such other allowance paid to the employee so that the combination of Voluntary Income Protection payments and other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.
- 8. As used in this Section, "Annual Compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments.
- 9. In addition to the conditions set forth in Paragraph 3, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - a. Re-employment of the recipient by the Company;
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company.

## Southern Bell

Effective

August 10, 1986

160

FRINGEN 002635

- 8.06 Supplemental Income Protection Program, Voluntary Income Protection Program, and Extended Medical Coverage:
  - A. Supplemental Income Protection Program.
    - 1. If during the term of this agreement, the Company notifies the Union in writing that technological change (defined in Paragraph 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in a work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to work locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees under the mandatory retirement age as defined in the BellSouth Pension Plan (BSPP) as of the effective date of termination of employment (whether or not eligible for a service pension) in the affected job titles and work locations who have at least twenty years of net credited service and whose age and years of net credited service, in sum, total seventy-five or more as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Supplemental Income Protection benefits described in this Section subject to the following conditions: (SB 8.07A1, SCB 7.04A)
      - a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he so elects, leave the service of the Company pursuant to this Section. Neither such determination by the Company nor any other part of this Section shall be subject to arbitration. (SB 8.07A1a, SCB 7.04A1)

- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus. (SB 8.07A1b, SCB 7.04A2)
- c. An employee's election to leave the service of the Company and receive Supplemental Income Protection benefits must be in writing and transmitted to the Company within fifteen days from the date of the Company's offer in order to be effective and it may not be revoked after such fifteen day period. (SB 8.07A1c, SCB 7.04A3)
- 2. Subject to limitations in this Article, employees who so elect to leave the service of the Company and receive Supplemental Income Protection benefits may receive in combination with such benefits either (1) a retirement service pension if eligible for such pension or, if not eligible, (2) a termination allowance, if otherwise entitled, in an amount determined in accordance with basic contract provisions, but not both. (SB 8.07A2, SCB 7.04B)
- 3. Supplemental Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph "1" shall begin within one month after such employee has left the service of the Company to continue until 48 payments have been made. (SB 8.07A3, SCB 7.04C)
- 4. For an employee who so elects in accordance with Paragraph 1, the Company will pay monthly as Supplemental Income Protection Payments; (1) \$8.00 for each year of net credited service (including a prorated amount for any partial year of service) plus (2) 40% of the final full-time basic weekly or equivalent wage rate for the employee's job title and location adjusted as set forth in Paragraph 5 for any periods of part-time service of the employee. In no case, however, shall the monthly payment hereunder exceed in aggregate a total of \$400.00 per month. In addition to the monthly benefits, for an employee who so elects in accordance with Paragraph 1, the Company will

#

pay a lump sum payment based on years of net credited service (pro-rated for part-time service as set forth in Paragraph 5) as follows:

Less than 25 Years	\$2000
25 to 30 Years	\$2500
30 Years and Over	\$3000

Such lump sum payment will be made within sixty days after the employee has left the service of the Company or at the employee's option will be made in the first quarter of the calendar year following the employee's termination of service. The maximum amount of Supplemental Income Protection Benefits payable including any lump sum payment shall in no event exceed a total of \$22,200. (SB 8.07A4, SCB 7.04D)

- 5. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in the preceding paragraph for purposes of determining the monthly payment and the lump sum payment shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as calculated in the BSPP. (SB 8.07A5, SCB 7.04E)
- 6. In no event shall the combination of Supplemental Income Protection Payments (including any lump sum payment) and any termination, lay-off or similar allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, Supplemental Income Protection payments shall be reduced by the amount of any termination layoff or similar allowance paid to the employee so that the combination of Supplemental

Income Protection payments and termination or other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service. (SB 8.07A6, SCB 7.04F)

- 7. As used in this Section, "annual compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments. (SB 8.07A7, SCB 7.04G)
- 8. In addition to the conditions set forth above any payments to a recipient hereunder shall be suspended upon the happening of any of the following: (SB 8.07A8, SCB 7.04H)
  - a. Re-employment of the recipient by the Company; (SB 8.07A8a, SCB 7.04H1)
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company. (SB 8.07A8b, SCB 7.04H2)
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment. (NEW)

### B. Voluntary Income Protection Program.

1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in Paragraph 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in any work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to locations requiring a change of residence, or if a force surplus necessitating any of the above actions exist for reasons other than technological change and the Company deems it appropriate, employees (1) who are

under the mandatory retirement age as defined in the BellSouth Pension Plan (BSPP) as of the effective date of termination of employment in the affected job titles and work locations, (2) who have at least two years of net credited service and (3) who are not eligible for a service pension under the terms of the BellSouth Pension Plan (BSPP) or Supplemental Income Protection payments, as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Voluntary Income Protection benefits described in this section subject to the following conditions: (SB 8.07B1, SCB 7.03A)

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he so elects, leave the service of the Company pursuant to this section. Neither such determinations by the Company nor any other part of this Section shall be subject to arbitration. (SB 8.07B1a, SCB 7.03A1)
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus. (SB 8.07B1b, SCB 7.03A2)
- c. An employee's election to leave the service of the Company and receive Voluntary Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective. The provisions of Paragraph B above notwithstanding, an employee who otherwise meets the requirements of the Voluntary Income Protection Program may, however, in advance of a declaration of a surplus submit a letter to the appropriate Personnel Placement Bureau indicating his willingness to accept an offer to leave the service of the Company under the terms of the Program if an offer is

- tendered. Such letters of interest will remain on file indefinitely, unless withdrawn by the employee, and considered with all other requests under this Program. (SB 8.07B1c, SCB 7.03A3)
- 2. In any force surplus situation where this provision may be applicable it will not be implemented by the Company unless and until employees in the affected job titles and work locations who are eligible have had an opportunity to elect to leave the service of the Company and receive Supplemental Income Protection benefits. (SB 8.07B2, SCB 7.03B)
- 3. Voluntary Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph 1 shall begin at the next applicable payroll date after such employee has left the service of the Company. Payments will not continue beyond 60 weeks after the employee has left the service of the Company. Payments will be made coincident with normal payroll periods for the work group in which the recipient was employed immediately prior to terminating employment. (SB 8.07B3, SCB 7.03C)
- 4. For an employee who so elects in accordance with Paragraph 1, the Company will pay as Voluntary Income Protection payments:
  - -- For each year of net credited service up to ten years, one week of pay, and
  - For each year of net credited service in excess of ten years to twenty years, two weeks of pay, and
  - -- For each year of net credited service in excess of twenty years up to thirty years, three weeks of pay.

Such pay shall be equal to the recipient's basic rate of pay at the time of termination of employment. For any partial year of service, the payments set forth above will be pro-rated. (SB 8.07B4, SCB 7.03D)

5. In addition to the payments set forth in Paragraph 4, for an employee who so elects in accordance with

Paragraph 1, the Company will reimburse the employee for actual expenses incurred for relocation costs, tuition or training costs, or job placement expenses related to seeking other employment, or any combination thereof, up to an amount not to exceed \$500 for each year of net credited service (prorated for any partial year of service) to a maximum of \$2,500. Any such expenses for which reimbursement will be made must be approved by the Company prior to being incurred and must be incurred within one year from the date of termination of employment except that reimbursement for tuition or training cost will be made for such expenses incurred within two years from the date of termination of employment. (SB 8.07B5, SCB 7.03E)

- 6. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in this Section for purposes of determining the periodic payment and the lump sum reimbursement shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as termination or layoff allowances are calculated. (SB 8.07B6, SCB 7.03F)
- 7. In no event shall the Voluntary Income Protection payments (including any lump sum reimbursement) and any other allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, the Voluntary Income Protection payments shall be reduced by the amount of any such other allowance paid to the employee so that the combination of Voluntary Income Protection payments and other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly

- wage rate (or its equivalent) for the year immediately preceding the termination of service. (SB 8.07B7, SCB 7.03G)
- 8. As used in this Section, "Annual Compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments. (SB 8.07B8, SCB 7.03H)
- 9. In addition to the conditions set forth in Paragraph 3, any payments to a recipient hereunder shall be suspended upon the happening of any of the following: (SB 8.07B9, SCB 7.03I)
  - a. Re-employment of the recipient by the Company; (SB 8.07B9a, SCB 7.03I1)
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company. (SB 8.07B9b, SCB 7.03I2)
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment. (NEW)

#### C. Extended Medical Coverage.

1. Employees who are not eligible for a service pension and (1) whose employment is terminated as a result of layoff or application of the force adjustment procedures; or (2) who elect to leave the service of the Company pursuant to the provisions of the Supplemental Income Protection Program, or the Voluntary Income Protection Program; or (3) who elect, pursuant to the technological displacement provisions in the Local Agreement, to accept a termination allowance and leave the service of the Company in lieu of reassignment to a different job title involving a reduction in pay or to locations requiring a change in residence, shall continue to remain eligible for coverage for up to twelve (12) months under the Company's Medical Expense Plan or its successor plan, as follows: (SB 8.07C1, SCB None)

## Southern Bell

**Effective** 

August 6, 1989

₹"

continue at such rate until his wage experience credit entitles him to an increase on the scale for his new job. He shall receive initial credit for wage length of service on the new job in an amount equal to the wage length of service credited to him in his old job, except that if he had formerly held a job in the lower classification to which he is being reclassified, his wage experience credit will be established as the wage experience credit formerly attained in the lower classification plus the time spent on the higher job or jobs, subject to any adjustments as provided in 2.02, when applicable.

- 2. If his rate of pay is above the maximum for his new job, his rate of pay shall be reduced to that maximum.
- F. Employees involuntarily transferred under the provisions of 12.04 shall have the right to claim the job from which they were moved if the job should become available within five years after such move.
- 8.06 Supplemental Income Protection Program, Voluntary Income Protection Program, and Extended Medical Coverage:
  - A. Supplemental Income Protection Program.
    - 1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in a work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to work locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate,

employees in the affected job titles and work locations, who have at least 20 years of net credited service and whose age and years of net credited service, in sum, total 75 or more as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Supplemental Income Protection benefits described in this Section subject to the following conditions:

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he so elects, leave the service of the Company pursuant to this Section. Neither such determination by the Company nor any other part of this Section shall be subject to arbitration.
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
- c. An employee's election to leave the service of the Company and receive Supplemental Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective and it may not be revoked after such 15 day period.
- 2. Subject to limitations in this Article, employees who so elect to leave the service of the Company and receive Supplemental Income Protection benefits may receive in combination with such benefits either (1) a

retirement service pension if eligible for such pension or, if not eligible, (2) a termination allowance, if otherwise entitled, in an amount determined in accordance with basic contract provisions, but not both.

- 3. Supplemental Income Protection payments for employees who so elect to leave the service of the Company in accordance with "1" above shall begin within one month after such employee has left the service of the Company to continue until 48 payments have been made.
- 4. For an employee who so elects in accordance with "1" above, the Company will pay monthly as Supplemental Income Protection Payments: (1) \$8.00 for each year of net credited service (including a prorated amount for any partial year of service) plus (2) 40% of the final full-time basic weekly or equivalent wage rate for the employee's job title and location adjusted as set forth in "5" below for any periods of part-time service of the employee. In no case, however, shall the monthly payment hereunder exceed in aggregate a total of \$400.00 per month. In addition to the monthly benefits, for an employee who so elects in accordance with "1" above, the Company will pay a lump sum payment based on years of net credited service (pro-rated for part-time service as set forth in "5" below) as follows:

Less than 25 Years	\$2000
25 to 30 Years	\$2500
30 Years and Over	\$3000

Such lump sum payment will be made within 60 days after the employee has left the service of the Company or at the employee's option will be made in the first quarter of the calendar year following the

- employee's termination of service. The maximum amount of Supplemental Income Protection Benefits payable including any lump sum payment shall in no event exceed a total of \$22,200.
- 5. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in the preceding paragraph for purposes of determining the monthly payment and the lump sum payment shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as calculated in the BSPP.
- 6. In no event shall the combination of Supplemental Income Protection Payments (including any lump sum payment) and any termination, lay-off or similar allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, Supplemental Income Protection payments shall be reduced by the amount of any termination, layoff or similar allowance paid to the employee so that the combination of Supplemental Income Protection payments and termination or other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.
- 7. As used in this Section, "annual compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or

- temporary differentials, overtime pay, or other extra payments.
- 8. In addition to the conditions set forth above, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - a. Re-employment of the recipient by the Company
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment.
- B. Voluntary Income Protection Program.
  - 1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in any work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees in the affected job titles and work locations, who have at least 2 years of net credited service and who are not eligible for a service pension under the terms of the BellSouth Pension Plan (BSPP) or Supplemental Income Protection payments, as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Voluntary Income Protection

benefits described in this section subject to the following conditions:

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he so elects, leave the service of the Company pursuant to this section. Neither such determinations by the Company nor any other part of this Section shall be subject to arbitration.
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
- c. An employee's election to leave the service of the Company and receive Voluntary Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective. The provisions of "B" above notwithstanding, an employee who otherwise meets the requirements of the Voluntary Income Protection Program may, however, in advance of a declaration of a surplus submit a letter to the appropriate Personnel Placement Bureau indicating his willingness to accept an offer to leave the service of the Company under the terms of the Program if an offer is tendered. Such letters of interest will remain on file indefinitely, unless withdrawn by the employee, and considered with all other requests under this Program.
- 2. In any force surplus situation where this provision may be applicable it will not be implemented by the

Company unless and until employees in the affected job titles and work locations who are eligible have had an opportunity to elect to leave the service of the Company and receive Supplemental Income Protection benefits.

- 3. Voluntary Income Protection payments for employees who so elect to leave the service of the Company in accordance with "1" above shall begin at the next applicable payroll date after such employee has left the service of the Company. Payments will not continue beyond 60 weeks after the employee has left the service of the Company. Payments will be made coincident with normal payroll periods for the work group in which the recipient was employed immediately prior to terminating employment.
- 4. For an employee who so elects in accordance with "1" above, the Company will pay as Voluntary Income Protection payments:
  - -- For each year of net credited service up to 10 years, one week of pay, and
  - -- For each year of net credited service in excess of 10 years to 20 years, 2 weeks of pay, and
  - -- For each year of net credited service in excess of 20 years up to 30 years, 3 weeks of pay.

Such pay shall be equal to the recipient's basic rate of pay at the time of termination of employment. For any partial year of service, the payments set forth above will be pro-rated.

5. In addition to the payments set forth in "4" above, for an employee who so elects in accordance with "1" above, the Company will reimburse the employee for actual expenses incurred for relocation costs, tuition or training costs, or job placement expenses related to seeking other employment, or any combination thereof, up to an amount not to exceed \$500 for each year of net credited service (prorated for any partial year of service) to a maximum of \$2,500. Any such expenses for which reimbursement will be made must be approved by the Company prior to being incurred and must be incurred within one year from the date of termination of employment except that reimbursement for tuition or training cost will be made for such expenses incurred within 2 years from the date of termination of employment.

- 6. The years of net credited service and the final fulltime basic weekly or equivalent wage rate as used in
  this Section for purposes of determining the periodic
  payment and the lump sum reimbursement shall be
  pro-rated for any period of time during which an
  employee is employed on a part-time basis in the
  proportion of such employee's basic rate of pay during
  any such period to the basic rate of pay for an
  equivalent full-time employee in the same job title,
  classification, and work group during the same period
  in the same manner as termination or layoff
  allowances are calculated.
- 7. In no event shall the Voluntary Income Protection payments (including any lump sum reimbursement) and any other allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, the Voluntary Income Protection payments shall be reduced by the amount of any such other allowance paid to the employee so that the combination of Voluntary Income Protection payments and other allowance payments does not exceed the equivalent of twice the

- employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.
- 8. As used in this Section, "Annual Compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments.
- 9. In addition to the conditions set forth in "3" above, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - a. Re-employment of the recipient by the Company
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment.

## C. Extended Medical Coverage.

1. Employees who are not eligible for a service pension and (1) whose employment is terminated as a result of layoff or application of the force adjustment procedures; or (2) who elect to leave the service of the Company pursuant to the provisions of the Supplemental Income Protection Program, or the Voluntary Income Protection Program; or (3) who elect, pursuant to the technological displacement provisions in the Agreement, to accept a termination allowance and leave the service of the Company in lieu of reassignment to a different job title involving a reduction in pay or to locations requiring a change in residence, shall continue to remain eligible for coverage for up to 12 months under the Company's

# South Central Bell

Effective

August 7, 1983

- 1. Employees laid off under 7.01 C 8 b who are qualified to perform the duties in the available jobs, shall be notified in order of seniority.
  - a. If the layoff extends beyond three years, the provisions of "1" above shall not apply unless the laid-off employee files a written application with the Company within three years following the date of his layoff.
- Employees laid off under 7.01 C 6 whose periods of layoff have not extended beyond
  three years, and who are qualified to perform the duties in the available jobs, shall be
  notified in seniority order after compliance with 7.02 A 1.
- Notification under 7.02 A 1 and 2, above, shall be sent to such employee's last known address.
- 4. A former employee who wishes to accept such offer of re-employment shall notify the Company of such intention within nine days and shall normally return to the employment of the Company within fourteen days from the date of such notification, which is conclusively to be presumed to have been given as of the date of the mailing of such notification.
  - a. Where the time periods specified in 7.02 A 4 above will work an undue hardship on an employee, they may be extended.
- No impairment which existed at termination of last preceding period of Company service shall be considered as just cause for a denial of re-employment.
- 6. Any employee rehired under the provisions of this section within three years from the date of his layoff shall have the continuity of his service protected, and if his layoff was not for more than six months duration, he shall be allowed service credit for such layoff unless it began within twelve months of a previous layoff.

#### 7.03 Voluntary Income Protection Program.

- A. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined as changes in equipment or methods of operation) has or will create a surplus in any job title in any work location which will necessitate layoffs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to locations requiring a change of residence, or if a force surplus necessitating any of the above action exists for reasons other than technological change and the Company deems it appropriate, employees (i) who are under the normal retirement age as defined in the Bell System Pension Plan (BSPP) or its applicable successor plan as of the effective date of termination of employment in the affected job titles and work locations (ii) who have at least two years of net credited service and (iii) who are not eligible for a service pension under the terms of the Bell System Pension Plan (BSPP) or its applicable successor plan or Supplemental Income Protection payments, as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Voluntary Income Protection benefits described in this Article subject to the following conditions:
  - 1. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he or she so elects, leave the service of the Company pursuant to this Article. Neither such determinations by the Company nor any other part of this Article shall be subject to arbitration.
  - 2. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
  - 3. An employee's election to leave the service of the Company and receive Voluntary Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective.

- B. In any force surplus situation where this provision may be applicable it will not be implemented by the Company unless and until employees in the affected job titles and work locations who are eligible have had an opportunity to elect to leave the service of the Company and receive Supplemental Income Protection benefits.
- C. Voluntary Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph "A" shall begin at the next applicable payroll date after such employee has left the service of the Company. Payments will not continue beyond (i) 60 weeks after the employee has left the service of the Company; or (ii) the end of the month in which the recipient attains normal retirement age as defined in the BSPP or its applicable successor plan, whichever occurs earlier. Payments will be made on a semi-monthly basis.
- D. For an employee who so elects in accordance with Paragraph "A", the Company will pay as Voluntary Income Protection payments:
  - 1. for each year of flet credited service up to ten (10) years, one week of pay; and
  - 2. for each year of net credited service in excess of ten (10) years up to twenty (20) years, two weeks of pay; and
  - 3. for each year of net credited service in excess of twenty (20) years up to thirty (30) years, three weeks of pay.

Such pay shall be equal to the recipient's basic rate of pay at the time of termination of employment. For any partial year of service, the payments set forth above will be prorated.

- E. In addition to the payments set forth in Paragraph "D", for an employee who so elects in accordance with Paragraph "A", the Company will reimburse the employee for actual expenses incurred for relocation costs, tuition or training costs, or job placement expenses related to seeking other employment, or any combination thereof, up to an amount not to exceed \$500 for each year of net credited service (prorated for any partial year of service) to a maximum of \$2,500. Any such expenses for which reimbursement will be made must be approved by the Company prior to being incurred and must be incurred within one year from the date of termination of employment except that reimbursement for tuition or training cost will be made for such expenses incurred within two years from the date of termination of employment.
- F. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in this Article for purposes of determining the periodic payment and the lump sum reimbursement shall be prorated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as termination or layoff allowances are calculated.
- G. In no event shall the Voluntary Income Protection payments (including any lump sum reimbursement) and any other allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, the Voluntary Income Protection payments shall be reduced by the amount of any such other allowance paid to the employee so that the combination of Voluntary Income Protection payments and other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.
- H. As used in this Article, "annual compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments.

- I. In addition to the conditions set forth above, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - 1. reemployment of the recipient by the Company; or
  - 2. employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company.

#### 7.04 Supplemental Income Protection Plan.

- A. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined as changes in equipment or methods of operation) has or will create a surplus in any job title in a work location which will necessitate layoffs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to work locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees under the normal retirement age as defined in the Bell System Pension Plan (BSPP) or its applicable successor Plan, as of the effective date of termination of employment, (whether or not eligible for a service pension) in the affected job titles and work locations who have at least twenty years of net credited service and whose age and years of net credited service, in sum, total seventy-five or more as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Supplemental Income Protection benefits described in Paragraph "D" of this Article subject to the following conditions:
  - The Company shall determine the job titles and work locations in which a surplus
    exists, the number of employees in such titles and locations who are considered to be
    surplus, and the period during which the employee may, if he or she so elects, leave
    the service of the Company pursuant to this Article. Neither such determinations by
    the Company nor any other part of this Article shall be subject to arbitration.
  - 2. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
  - 3. An employee's election to leave the service of the Company and receive Supplemental Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective and it may not be revoked after such 15 day period.
- B. Subject to the limitations in Paragraphs "D" and "E", employees who so elect to leave the service of the Company and receive Supplemental Income Protection benefits may receive in combination with such benefits either (i) a retirement service pension if eligible for such pension or, if not eligible, (ii) a termination allowance, if otherwise entitled, in an amount determined in accordance with basic contract provisions, but not both.
- C. Supplemental Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph "A" shall begin within one month after such employee has left the service of the Company to continue until (i) 48 payments have been made; or (ii) the end of the month in which the recipient attains normal retirement age as defined in the BSPP, or its applicable successor plan, whichever occurs earlier.
- D. For an employee who so elects in accordance with Paragraph "A" the Company will pay monthly as Supplemental Income Protection payments; (i) \$8.00 for each year of net credited service (including a pro-rated amount for any partial year of service) plus (ii) 40% of the final full-time basic weekly or equivalent wage rate for the employee's job title and location adjusted as set forth in Paragraph "E" for any periods of part-time service of the employee. In no case, however, shall the monthly payment hereunder exceed in aggregate a total of \$400.00 per month. In addition to the monthly benefits, for an employee who so elects in accordance with Paragraph "A", the Company will pay a lump sum payment based on years of net credited service (pro-rated for part-time service as set forth in

#### Paragraph "E" as follows:)

Less than 25 years	\$2000
25 to 30 years	\$2500
Over 30 years	\$3000

Such lump sum payment will be made within sixty (60) days after the employee has left the service of the Company or, at the employee's option, will be made in the first quarter of the calendar year following the employee's termination of service. The maximum amount of Supplemental Income Protection benefits payable including any lump sum payment shall in no event exceed a total of \$22,200.

- E. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in the preceding paragraph for purposes of determining the monthly payment and the lump sum payment shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as calculated in the BSPP or its applicable successor plan.
- F. In no event shall the combination of Supplemental Income Protection payments (including any lump sum payments) and any termination, layoff or similar allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, Supplemental Income Protection payments shall be reduced by the amount of any termination, layoff or similar allowance paid to the employee so that the combination of Supplemental Income Protection payments and termination or other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.
- G. As used in this Article, "annual compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments.
- H. In addition to the conditions set forth above, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - 1. reemployment of the recipient by the Company; or
  - 2. employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company.

#### Article 8

### **EMPLOYMENT TERMINATION**

#### 3.01 Termination Allowance.

A. A termination allowance shall be paid to a regular or temporary employee whose service is terminated under any of the conditions outlined below:

# South Central Bell

Effective

August 10, 1986

- E. In all other instances in which an employee is involved in an interdepartmental transfer, or a reclassification within his department, to a lower-rated job, his rate of pay shall be computed as follows: (SB 8.05C, SCB 9.03D)
  - 1. His rate of pay will not be reduced if it is not above the maximum rate for the new job and he shall continue at such rate until his wage experience credit entitles him to an increase on the scale for his new job. He shall receive initial credit for wage length of service on the new job in an amount equal to the wage length of service credited to him in his old job, except that if he had formerly held a job in the lower classification to which he is being reclassified, his wage experience credit will be established as the wage experience credit formerly attained in the lower classification plus the time spent on the higher job or jobs, subject to any adjustments as provided in Section 2.02, when applicable. (SB 8.05C1, SCB 9.03D1 & D1a)
  - 2. If his rate of pay is above the maximum for his new job, his rate of pay shall be reduced to that maximum. (SB 8.05C2, SCB 9.03D2)
- F. Employees involuntarily transferred under the provisions of 12.04 shall have the right to claim the job from which they were moved if the job should become available within five years after such move. (SB 8.05F, SCB None)
- 8.06 Supplemental Income Protection Program, Voluntary Income Protection Program, and Extended Medical Coverage:
  - A. Supplemental Income Protection Program.
    - 1. If during the term of this agreement, the Company notifies the Union in writing that technological change (defined in Paragraph 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in a work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles

involving a reduction in pay or to work locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees under the mandatory retirement age as defined in the BellSouth Pension Plan (BSPP) as of the effective date of termination of employment (whether or not eligible for a service pension) in the affected job titles and work locations who have at least twenty years of net credited service and whose age and years of net credited service, in sum, total seventy-five or more as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Supplemental Income Protection benefits described in this Section subject to the following conditions: (SB 8.07A1, SCB 7.04A)

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he or she so elects, leave the service of the Company pursuant to this Section. Neither such determination by the Company nor any other part of this Section shall be subject to arbitration. (SB 8.07A1a, SCB 7.04A1)
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus. (SB 8.07A1b, SCB 7.04A2)
- c. An employee's election to leave the service of the Company and receive Supplemental Income Protection benefits must be in writing and transmitted to the Company within fifteen days from the date of the Company's offer in order to be effective and it may not be revoked after such fifteen day period. (SB 8.07A1c, SCB 7.04A3)

- 2. Subject to limitations in this Article, employees who so elect to leave the service of the Company and receive Supplemental Income Protection benefits may receive in combination with such benefits either (1) a retirement service pension if eligible for such pension or, if not eligible, (2) a termination allowance, if otherwise entitled, in an amount determined in accordance with basic contract provisions, but not both. (SB 8.07A2, SCB 7.04B)
- 3. Supplemental Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph "1" shall begin within one month after such employee has left the service of the Company to continue until 48 payments have been made. (SB 8.07A3, SCB 7.04C)
- 4. For an employee who so elects in accordance with Paragraph 1, the Company will pay monthly as Supplemental Income Protection Payments; (1) \$8.00 for each year of net credited service (including a prorated amount for any partial year of service) plus (2) 40% of the final full-time basic weekly or equivalent wage rate for the employee's job title and location adjusted as set forth in Paragraph 5 for any periods of parttime service of the employee. In no case, however, shall the monthly payment hereunder exceed in aggregate a total of \$400.00 per month. In addition to the monthly benefits, for an employee who so elects in accordance with Paragraph 1, the Company will pay a lump sum payment based on years of net credited service (pro-rated for part-time service as set forth in Paragraph 5) as follows:

Less than 25 Years	\$2000
25 to 30 Years	\$2500
30 Years and Over	\$3000

Such lump sum payment will be made within sixty days after the employee has left the service of the Company or at the employee's option will be made in the first quarter of the calendar year following the

employee's termination of service. The maximum amount of Supplemental Income Protection Benefits payable including any lump sum payment shall in no event exceed a total of \$22,200. (SB 8.07A4, SCB 7.04D)

- 5. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in the preceding paragraph for purposes of determining the monthly payment and the lump sum payment shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as calculated in the BSPP. (SB 8.07A5, SCB 7.04E)
- 6. In no event shall the combination of Supplemental Income Protection Payments (including any lump sum payment) and any termination, lay-off or similar allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, Supplemental Income Protection payments shall be reduced by the amount of any termination layoff or similar allowance paid to the employee so that the combination of Supplemental Income Protection payments and termination or other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service. (SB 8.07A6, SCB 7.04F)
- 7. As used in this Section, "annual compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments. (SB 8.07A7, SCB 7.04G)

- 8. In addition to the conditions set forth above any payments to a recipient hereunder shall be suspended upon the happening of any of the following: (SB 8.07A8, SCB 7.04H)
  - a. Re-employment of the recipient by the Company; (SB 8.07A8a, SCB 7.04H1)
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company. (SB 8.07A8b, SCB 7.04H2)
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment. (NEW)
- B. Voluntary Income Protection Program.
  - 1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in Paragraph 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in any work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees (1) who are under the mandatory retirement age as defined in the BellSouth Pension Plan (BSPP) as of the effective date of termination of employment in the affected job titles and work locations, (2) who have at least two years of net credited service and (3) who are not eligible for a service pension under the terms of the BellSouth Pension Plan (BSPP) or Supplemental Income Protection payments, as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Voluntary Income Protection benefits de-

scribed in this section subject to the following conditions: (SB 8.07B1, SCB 7.03A)

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he so elects, leave the service of the Company pursuant to this section. Neither such determinations by the Company nor any other part of this Section shall be subject to arbitration. (SB 8.07B1a, SCB 7.03A1)
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus. (SB 8.07B1b, SCB 7.03A2)
- c. An employee's election to leave the service of the Company and receive Voluntary Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective. The provisions of Paragraph B above notwithstanding, an employee who otherwise meets the requirements of the Voluntary Income Protection Program may, however, in advance of a declaration of a surplus submit a letter to the appropriate Personnel Placement Bureau indicating his willingness to accept an offer to leave the service of the Company under the terms of the Program if an offer is tendered. Such letters of interest will remain on file indefinitely, unless withdrawn by the employee, and considered with all other requests under this Program. (SB 8.07B1c, SCB 7.03A3)
- 2. In any force surplus situation where this provision may be applicable it will not be implemented by the Company unless and until employees in the affected job titles and work locations who are eligible have had an opportunity to elect to leave the service of the Company and receive Supplemental Income Protection benefits. (SB 8.07B2, SCB 7.03B)

- 3. Voluntary Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph 1 shall begin at the next applicable payroll date after such employee has left the service of the Company. Payments will not continue beyond 60 weeks after the employee has left the service of the Company. Payments will be made coincident with normal payroll periods for the work group in which the recipient was employed immediately prior to terminating employment. (SB 8.07B3, SCB 7.03C)
- 4. For an employee who so elects in accordance with Paragraph 1, the Company will pay as Voluntary Income Protection payments:
  - -- For each year of net credited service up to ten years, one week of pay, and
  - -- For each year of net credited service in excess of ten years to twenty years, two weeks of pay, and
  - -- For each year of net credited service in excess of twenty years up to thirty years, three weeks of pay.

Such pay shall be equal to the recipient's basic rate of pay at the time of termination of employment. For any partial year of service, the payments set forth above will be pro-rated. (SB 8.07B4, SCB 7.03D)

5. In addition to the payments set forth in Paragraph 4, for an employee who so elects in accordance with Paragraph 1, the Company will reimburse the employee for actual expenses incurred for relocation costs, tuition or training costs, or job placement expenses related to seeking other employment, or any combination thereof, up to an amount not to exceed \$500 for each year of net credited service (pro-rated for any partial year of service) to a maximum of \$2,500. Any such expenses for which reimbursement will be made must be approved by the Company prior to being incurred and must be incurred within one year from the date of termination of employment

- except that reimbursement for tuition or training cost will be made for such expenses incurred within two years from the date of termination of employment. (SB 8.07B5, SCB 7.03E)
- 6. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in this Section for purposes of determining the periodic payment and the lump sum reimbursement shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as termination or layoff allowances are calculated. (SB 8.07B6, SCB 7.03F)
- 7. In no event shall the Voluntary Income Protection payments (including any lump sum reimbursement) and any other allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, the Voluntary Income Protection payments shall be reduced by the amount of any such other allowance paid to the employee so that the combination of Voluntary Income Protection payments and other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service. (SB 8.07B7, SCB 7.03G)
- 8. As used in this Section, "Annual Compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments. (SB 8.07B8, SCB 7.03H)
- 9. In addition to the conditions set forth in Paragraph 3, any payments to a recipient hereunder shall be sus-

- pended upon the happening of any of the following: (SB 8.07B9, SCB 7.03I)
- a. Re-employment of the recipient by the Company; (SB 8.07B9a, SCB 7.03I1)
- b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company. (SB 8.07B9b, SCB 7.03I2)
- c. Employment of the recipient by a competitor of the Company or competitive self-employment. (NEW)

### C. Extended Medical Coverage.

- 1. Employees who are not eligible for a service pension and (1) whose employment is terminated as a result of layoff or application of the force adjustment procedures; or (2) who elect to leave the service of the Company pursuant to the provisions of the Supplemental Income Protection Program, or the Voluntary Income Protection Program; or (3) who elect, pursuant to the technological displacement provisions in the Local Agreement, to accept a termination allowance and leave the service of the Company in lieu of reassignment to a different job title involving a reduction in pay or to locations requiring a change in residence, shall continue to remain eligible for coverage for up to twelve (12) months under the Company's Medical Expense Plan or its successor plan, as follows: (SB 8.07C1, SCB None)
  - a. An employee whose net credited service is five (5) years or more will be eligible for coverage at Company expense for a period of six (6) months following the month in which employment is terminated. The employee may elect to continue such coverage for an additional six (6) months at the employee's expense by paying the monthly premium amount. (SB 8.07C1a, SCB None)
  - b. An employee whose net credited service is at least one (1) year but less than five (5) years will be eli-

# South Central Bell

Effective

August 6, 1989

- E. In all other instances in which an employee is involved in an interdepartmental transfer, or a reclassification within his department, to a lower-rated job, his rate of pay shall be computed as follows:
  - 1. His rate of pay will not be reduced if it is not above the maximum rate for the new job and he shall continue at such rate until his wage experience credit entitles him to an increase on the scale for his new job. He shall receive initial credit for wage length of service on the new job in an amount equal to the wage length of service credited to him in his old job, except that if he had formerly held a job in the lower classification to which he is being reclassified, his wage experience credit will be established as the wage experience credit formerly attained in the lower classification plus the time spent on the higher job or jobs, subject to any adjustments as provided in 2.02, when applicable.
  - 2. If his rate of pay is above the maximum for his new job, his rate of pay shall be reduced to that maximum.
- F. Employees involuntarily transferred under the provisions of 12.04 shall have the right to claim the job from which they were moved if the job should become available within 5 years after such move.
- 8.06 Supplemental Income Protection Program, Voluntary Income Protection Program, and Extended Medical Coverage:
  - A. Supplemental Income Protection Program.
    - 1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in a work location, which will necessitate lay-offs or involuntary permanent reassignments of

regular employees to different job titles involving a reduction in pay or to work locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees in the affected job titles and work locations who have at least 20 years of net credited service and whose age and years of net credited service, in sum, total 75 or more as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Supplemental Income Protection benefits described in this Section subject to the following conditions:

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he or she so elects, leave the service of the Company pursuant to this Section. Neither such determination by the Company nor any other part of this Section shall be subject to arbitration.
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
- c. An employee's election to leave the service of the Company and receive Supplemental Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective and it may not be revoked after such 15 day period.

- 2. Subject limitations in this Artic, employees who so elect to leave the service of the Company and receive Supplemental Income Protection benefits may receive in combination with such benefits either (1) a retirement service pension if eligible for such pension or, if not eligible, (2) a termination allowance, if otherwise entitled, in an amount determined in accordance with basic contract provisions, but not both.
- 3. Supplemental Income Protection payments for employees who so elect to leave the service of the Company in accordance with "1" above shall begin within one month after such employee has left the service of the Company to continue until 48 payments have been made.
- 4. For an employee who so elects in accordance with "1" above, the Company will pay monthly as Supplemental Income Protection Payments; (1) \$8.00 for each year of net credited service (including a prorated amount for any partial year of service) plus (2) 40% of the final full-time basic weekly or equivalent wage rate for the employee's job title and location adjusted as set forth in "5" below for any periods of part-time service of the employee. In no case, however, shall the monthly payment hereunder exceed in aggregate a total of \$400.00 per month. In addition to the monthly benefits, for an employee who so elects in accordance with "1" above, the Company will pay a lump sum payment based on years of net credited service (pro-rated for part-time service as set forth in "5" below) as follows:

Less than	25 Years	\$2000
25 to 30	Years	\$2500
30 Years	and Over	\$3000

Such lump sum payment will be made within 60 days after the employee has left the service of the Company or at the employee's option will be made in the first quarter of the calendar year following the employee's termination of service. The maximum amount of Supplemental Income Protection Benefits payable including any lump sum payment shall in no event exceed a total of \$22,200.

- 5. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in the preceding paragraph for purposes of determining the monthly payment and the lump sum payment shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as calculated in the BSPP.
- 6. In no event shall the combination of Supplemental Income Protection Payments (including any lump sum payment) and any termination, lay-off or similar allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, Supplemental Income Protection payments shall be reduced by the amount of any termination, layoff or similar allowance paid to the employee so that the combination of Supplemental Income Protection payments and termination or other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.

- 7. A used in this Section, "annual compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments.
- 8. In addition to the conditions set forth above, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - a. Re-employment of the recipient by the Company
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment.
- B. Voluntary Income Protection Program.
  - If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in any work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees in the affected job titles and work locations, who have at least 2 years of net credited service and who are not eligible for a service pension under the terms of the BellSouth Pension Plan (BSPP) or Supplemental Income Protection payments, as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to

relieve the surplus, to leave the service of the Company and receive Voluntary Income Protection benefits described in this section subject to the following conditions:

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he so elects, leave the service of the Company pursuant to this section. Neither such determinations by the Company nor any other part of this Section shall be subject to arbitration.
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
- An employee's election to leave the service of the Company and receive Voluntary Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be The provisions of "B" above effective. notwithstanding, an employee who otherwise meets the requirements of the Voluntary Income Protection Program may, however, in advance of a declaration of a surplus submit a letter to the appropriate Personnel Placement Bureau indicating his willingness to accept an offer to leave the service of the Company under the terms of the Program if an offer is tendered. letters of interest will remain on file indefinitely, unless withdrawn by the employee, and considered with all other requests under this Program.

- 2. It my force surplus situal n where this provision may be applicable it will not be implemented by the Company unless and until employees in the affected job titles and work locations who are eligible have had an opportunity to elect to leave the service of the Company and receive Supplemental Income Protection benefits.
- 3. Voluntary Income Protection payments for employees who so elect to leave the service of the Company in accordance with "1" above shall begin at the next applicable payroll date after such employee has left the service of the Company. Payments will not continue beyond 60 weeks after the employee has left the service of the Company. Payments will be made coincident with normal payroll periods for the work group in which the recipient was employed immediately prior to terminating employment.
- 4. For an employee who so elects in accordance with "1" above, the Company will pay as Voluntary Income Protection payments:
  - -- For each year of net credited service up to 10 years, one week of pay, and
  - -- For each year of net credited service in excess of 10 years to 20 years, 2 weeks of pay, and
  - -- For each year of net credited service in excess of 20 years up to 30 years, 3 weeks of pay.

Such pay shall be equal to the recipient's basic rate of pay at the time of termination of employment. For any partial year of service, the payments set forth above will be pro-rated.

5. In addition to the payments set forth in "4" above, for an employee who so elects in accordance with "1" above, the Company will reimburse the employee for actual expenses incurred for relocation costs, tuition

or training costs, or job placement expenses related to seeking other employment, or any combination thereof, up to an amount not to exceed \$500 for each year of net credited service (pro-rated for any partial year of service) to a maximum of \$2,500. Any such expenses for which reimbursement will be made must be approved by the Company prior to being incurred and must be incurred within one year from the date of termination of employment except that reimbursement for tuition or training cost will be made for such expenses incurred within 2 years from the date of termination of employment.

- 6. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in this Section for purposes of determining the periodic payment and the lump sum reimbursement shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as termination or layoff allowances are calculated.
- 7. In no event shall the Voluntary Income Protection payments (including any lump sum reimbursement) and any other allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, the Voluntary Income Protection payments shall be reduced by the amount of any such other allowance paid to the employee so that the combination of Voluntary Income Protection payments and other allowance payments does not exceed the equivalent of twice th

he ice

n e e

d t ) 1 t = |

POLKOSH 002677

- employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.
- 8. As used in this Section, "Annual Compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments.
- 9. In addition to the conditions set forth in "3" above, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - a. Re-employment of the recipient by the Company
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment.

## C. Extended Medical Coverage.

1. Employees who are not eligible for a service pension and (1) whose employment is terminated as a result of layoff or application of the force adjustment procedures; or (2) who elect to leave the service of the Company pursuant to the provisions of the Supplemental Income Protection Program, or the Voluntary Income Protection Program; or (3) who elect, pursuant to the technological displacement provisions in the Agreement, to accept a termination allowance and leave the service of the Company in lieu of reassignment to a different job title involving a reduction in pay or to locations requiring a change in residence, shall continue to remain eligible for

# **BellSouth Services**

Effective

August 10, 1986

that if he had formerly held a job in the lower classification to which he is being reclassified, his wage experience credit will be established as the wage experience credit formerly attained in the lower classification plus the time spent on the higher job or jobs, subject to any adjustments as provided in Section 2.02, when applicable. (SB 8.05C1, SCB 9.03D1 & D1a)

- 2. If his rate of pay is above the maximum for his new job, his rate of pay shall be reduced to that maximum. (SB 8.05C2, SCB 9.03D2)
- F. Employees involuntarily transferred under the provisions of 12.04 shall have the right to claim the job from which they were moved if the job should become available within five years after such move. (SB 8.05F, SCB None)
- 8.06 Supplemental Income Protection Program, Voluntary Income Protection Program, and Extended Medical Coverage.
  - A. Supplemental Income Protection Program.
    - 1. If during the term of this agreement, the Company notifies the Union in writing that technological change (defined in Paragraph 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in a work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to work locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees under the mandatory retirement age as defined in the BellSouth Pension Plan (BSPP) as of the effective date of termination of employment (whether or not eligible for a service pension) in the affected job titles and work locations who have at least twenty years of net credited service and whose age and years of net credited service, in sum, total seventy-five or more as of the effective date of the termination of employment, may

elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Supplemental Income Protection benefits described in this Section subject to the following conditions: (SB 8.07A1, SCB 7.04A)

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he or she so elects, leave the service of the Company pursuant to this Section. Neither such determination by the Company nor any other part of this Section shall be subject to arbitration. (SB 8.07A1a, SCB 7.04A1)
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus. (SB 8.07A1b, SCB 7.04A2)
- c. An employee's election to leave the service of the Company and receive Supplemental Income Protection benefits must be in writing and transmitted to the Company within fifteen days from the date of the Company's offer in order to be effective and it may not be revoked after such fifteen day period. (SB 8.07A1c, SCB 7.04A3)
- 2. Subject to limitations in this Article, employees who so elect to leave the service of the Company and receive Supplemental Income Protection benefits may receive in combination with such benefits either (1) a retirement service pension if eligible for such pension or, if not eligible, (2) a termination allowance, if otherwise entitled, in an amount determined in accordance with basic contract provisions, but not both. (SB 8.07A2, SCB 7.04B)
- 3. Supplemental Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph "1" shall begin within one month after such employee has left the

- service of the Company to continue until 48 payments have been made. (SB 8.07A3, SCB 7.04C)
- 4. For an employee who so elects in accordance with Paragraph "1", the Company will pay monthly as Supplemental Income Protection Payments; (1) \$8.00 for each year of net credited service (including a prorated amount for any partial year of service) plus (2) 40% of the final full-time basic weekly or equivalent wage rate for the employee's job title and location adjusted as set forth in Paragraph 5 for any periods of part-time service of the employee. In no case, however, shall the monthly payment hereunder exceed in aggregate a total of \$400.00 per month. In addition to the monthly benefits, for an employee who so elects in accordance with Paragraph "1", the Company will pay a lump sum payment based on years of net credited service (pro-rated for part-time service as set forth in Paragraph "5") as follows:

Less than 25 Years	\$2000
25 to 30 Years	\$2500
30 Years and Over	\$3000

Such lump sum payment will be made within sixty days after the employee has left the service of the Company or at the employee's option will be made in the first quarter of the calendar year following the employee's termination of service. The maximum amount of Supplemental Income Protection Benefits payable including any lump sum payment shall in no event exceed a total of \$22,200. (SB 8.07A4, SCB 7.04D)

5. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in the preceding paragraph for purposes of determining the monthly payment and the lump sum payment shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an

- equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as calculated in the BSPP. (SB 8.07A5, SCB 7.04E)
- 6. In no event shall the combination of Supplemental Income Protection Payments (including any lump sum payment) and any termination, lay-off or similar allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, Supplemental Income Protection payments shall be reduced by the amount of any termination layoff or similar allowance paid to the employee so that the combination of Supplemental Income Protection payments and termination or other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service. (SB 8.07A6, SCB 7.04F)
- 7. As used in this Section, "annual compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments. (SB 8.07A7, SCB 7.04G)
- 8. In addition to the conditions set forth above any payments to a recipient hereunder shall be suspended upon the happening of any of the following: (SB 8.07A8, SCB 7.04H)
  - a. Re-employment of the recipient by the Company; (SB 8.07A8a, SCB 7.04H1)
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company; (SB 8.07A8b, SCB 7.04H2)

- c. Employment of the recipient by a competitor of the Company or competitive self-employment. (New)
- B. Voluntary Income Protection Program.
  - 1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in Paragraph 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in any work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to locations requiring a change of residence, or if a force surplus necessitating any of the above actions exist for reasons other than technological change and the Company deems it appropriate, employees (1) who are under the mandatory retirement age as defined in the BellSouth Pension Plan (BSPP) as of the effective date of termination of employment in the affected job titles and work locations, (2) who have at least two years of net credited service and (3) who are not eligible for a service pension under the terms of the BellSouth Pension Plan (BSPP) or Supplemental Income Protection payments, as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Voluntary Income Protection benefits described in this section subject to the following conditions: (SB 8.07B1, SCB 7.03A)
    - a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he so elects, leave the service of the Company pursuant to this section. Neither such determinations by the Company nor any other part of this Section shall be subject to arbitration. (SB 8.07B1a, SCB 7.03A1)

- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus. (SB 8.07B1b, SCB 7.03A2)
- c. An employee's election to leave the service of the Company and receive Voluntary Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective. The provisions of Paragraph B above notwithstanding, an employee who otherwise meets the requirements of the Voluntary Income Protection Program may, however, in advance of a declaration of a surplus submit a letter to the appropriate Personnel Placement Bureau indicating his willingness to accept an offer to leave the service of the Company under the terms of the Program if an offer is tendered. Such letters of interest will remain on file indefinitely, unless withdrawn by the employee, and considered with all other requests under this Program. (SB 8.07B1c, SCB 7.03A3)
- 2. In any force surplus situation where this provision may be applicable it will not be implemented by the Company unless and until employees in the affected job titles and work locations who are eligible have had an opportunity to elect to leave the service of the Company and receive Supplemental Income Protection benefits. (SB 8.07B2, SCB 7.03B)
- 3. Voluntary Income Protection payments for employees who so elect to leave the service of the Company in accordance with Paragraph "1" shall begin at the next applicable payroll date after such employee has left the service of the Company. Payments will not continue beyond 60 weeks after the employee has left the service of the Company. Payments will be made coincident with normal payroll periods for the work group in which the recipient was employed immediately prior to terminating employment. (SB 8.07B3, SCB 7.03C)

- 4. For an employee who so elects in accordance with Paragraph "1", the Company will pay as Voluntary Income Protection payments:
  - -- For each year of net credited service up to ten years, one week of pay, and
  - -- For each year of net credited service in excess of ten years to twenty years, two weeks of pay, and
  - -- For each year of net credited service in excess of twenty years up to thirty years, three weeks of pay.

Such pay shall be equal to the recipient's basic rate of pay at the time of termination of employment. For any partial year of service, the payments set forth above will be pro-rated. (SB 8.07B4, SCB 7.03D)

- 5. In addition to the payments set forth in Paragraph "4", for an employee who so elects in accordance with Paragraph "1", the Company will reimburse the employee for actual expenses incurred for relocation costs, tuition or training costs, or job placement expenses related to seeking other employment, or any combination thereof, up to an amount not to exceed \$500 for each year of net credited service (prorated for any partial year of service) to a maximum of \$2,500. Any such expenses for which reimbursement will be made must be approved by the Company prior to being incurred and must be incurred within one year from the date of termination of employment except that reimbursement for tuition or training cost will be made for such expenses incurred within two years from the date of termination of employment. (SB 8.07B5, SCB 7.03E)
- 6. The years of net credited service and the final fulltime basic weekly or equivalent wage rate as used in
  this Section for purposes of determining the periodic
  payment and the lump sum reimbursement shall be
  pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during
  any such period to the basic rate of pay for an equiva-

加加加加加加

- lent full-time employee in the same job title, classification, and work group during the same period in the same manner as termination or layoff allowances are calculated. (SB 8.07B6, SCB 7.03F)
- 7. In no event shall the Voluntary Income Protection payments (including any lump sum reimbursement) and any other allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, the Voluntary Income Protection payments shall be reduced by the amount of any such other allowance paid to the employee so that the combination of Voluntary Income Protection payments and other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service. (SB 8.07B7, SCB 7.03G)
- 8. As used in this Section, "Annual Compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments. (SB 8.07B8, SCB 7.03H)
- 9. In addition to the conditions set forth in Paragraph "3", any payments to a recipient hereunder shall be suspended upon the happening of any of the following: (SB 8.07B9, SCB 7.03I)
  - a. Re-employment of the recipient by the Company; (SB 8.07B9a, SCB 7.03I1)
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company; (SB 8.07B9b, SCB 7.03I2)
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment. (New)

## BellSouth Services

**Effective** 

August 6, 1989

- classification plus the time spent on the higher job or jobs, subject to any adjustments as provided in 2.02, when applicable.
- 2. If his rate of pay is above the maximum for his new job, his rate of pay shall be reduced to that maximum.
- F. Employees involuntarily transferred under the provisions of 12.04 shall have the right to claim the job from which they were moved if the job should become available within 5 years after such move.
- 8.06 Supplemental Income Protection Program, Voluntary Income Protection Program, and Extended Medical Coverage.
  - A. Supplemental Income Protection Program.
    - 1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in a work location which will necessitate layoffs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to work locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees in the affected job titles and work locations who have at least 20 years of net credited service and whose age and years of net credited service, in sum, total 75 or more as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Supplemental Income Protection benefits described in this section subject to the following conditions:
      - a. The Company shall determine the job titles and work locations in which a surplus exists, the

number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he or she so elects, leave the service of the Company pursuant to this section. Neither such determination by the Company nor any other part of this section shall be subject to arbitration.

- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
- c. An employee's election to leave the service of the Company and receive Supplemental Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective and it may not be revoked after such 15 day period.
- 2. Subject to limitations in this Article, employees who so elect to leave the service of the Company and receive Supplemental Income Protection benefits may receive in combination with such benefits either (1) a retirement service pension if eligible for such pension or, if not eligible, (2) a termination allowance, if otherwise entitled, in an amount determined in accordance with basic contract provisions, but not both.
- 3. Supplemental Income Protection payments for employees who so elect to leave the service of the Company in accordance with "1" above, shall begin within one month after such employee has left the service of the Company to continue until 48 payments have been made.
- 4. For an employee who so elects in accordance with "1" above, the Company will pay monthly as Supplemental Income Protection Payments; (1) \$8.00 for each year of net credited service (including a

prorated amount for any partial year of service) plus (2) 40% of the final full-time basic weekly or equivalent wage rate for the employee's job title and location adjusted as set forth in "5" below for any periods of part-time service of the employee. In no case, however, shall the monthly payment hereunder exceed in aggregate a total of \$400.00 per month. In addition to the monthly benefits, for an employee who so elects in accordance with "1" above, the Company will pay a lump sum payment based on years of net credited service (prorated for part-time service as set forth in "5" below) as follows:

Less than	25 Years	\$2000
25 to 30	Years	\$2500
30 Years a	ind Over	\$3000

Such lump sum payment will be made within 60 days after the employee has left the service of the Company or at the employee's option will be made in the first quarter of the calendar year following the employee's termination of service. The maximum amount of Supplemental Income Protection Benefits payable including any lump sum payment shall in no event exceed a total of \$22,200.

- 5. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in the preceding paragraph for purposes of determining the monthly payment and the lump sum payment shall be pro-rated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as calculated in the BellSouth Pension Plan (BSPP).
- 6. In no event shall the combination of Supplemental Income Protection payments (including any lump sum

payment) and any termination, layoff or similar allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, Supplemental Income Protection payments shall be reduced by the amount of any termination, layoff or similar allowance paid to the employee so that the combination of Supplemental Income Protection payments and termination or other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.

- 7. As used in this section, "annual compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay or other extra payments.
- 8. In addition to the conditions set forth above any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - a. Re-employment of the recipient by the Company;
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company;
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment.
- B. Voluntary Income Protection Program.
  - 1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in any work location which will necessitate layoffs or involuntary permanent reassignments of regular employees to different job

titles involving a reduction in pay or to locations requiring a change of residence, or if a force surplus necessitating any of the above actions exist for reasons other than technological change and the Company deems it appropriate, employees in the affected job titles and work locations, who have at least 2 years of net credited service and who are not eligible for a service pension under the terms of the BellSouth Pension Plan (BSPP) or Supplemental Income Protection payments, as of the effective date of the termination of employment, may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Voluntary Income Protection benefits described in this section subject to the following condition.

- a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he so elects, leave the service of the Company pursuant to this section. Neither such determinations by the Company nor any other part of this section shall be subject to arbitration.
- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
- c. An employee's election to leave the service of the Company and receive Voluntary Income Protection benefits must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective. The provisions of "B" above notwithstanding, an employee who otherwise meets the requirements of the Voluntary Income Protection Program may, however, in advance of

a declaration of a surplus submit a letter to the appropriate Personnel Placement Bureau indicating his willingness to accept an offer to leave the service of the Company under the terms of the Program if an offer is tendered. Such letters of interest will remain on file indefinitely, unless withdrawn by the employee, and considered with all other requests under this Program.

- 2. In any force surplus situation where this provision may be applicable it will not be implemented by the Company unless and until employees in the affected job titles and work locations who are eligible have had an opportunity to elect to leave the service of the Company and receive Supplemental Income Protection benefits.
- 3. Voluntary Income Protection payments for employees who so elect to leave the service of the Company in accordance with "1" above shall begin at the next applicable payroll date after such employee has left the service of the Company. Payments will not continue beyond 60 weeks after the employee has left the service of the Company. Payments will be made coincident with normal payroll periods for the work group in which the recipient was employed immediately prior to terminating employment.
- 4. For an employee who so elects in accordance with "1" above, the Company will pay as Voluntary Income Protection payments:
  - -- For each year of net credited service up to 10 years, one week of pay, and
  - -- For each year of net credited service in excess of 10 years to 20 years, 2 weeks of pay, and
  - -- For each year of net credited service in excess of 20 years up to 30 years, 3 weeks of pay.

- Such pay shall be equal to the recipient's basic rate of pay at the time of termination of employment. For any partial year of service, the payments set forth above will be prorated.
- 5. In addition to the payments set forth in "4" above, for an employee who so elects in accordance with "1" above, the Company will reimburse the employee for actual expenses incurred for relocation costs, tuition or training costs, or job placement expenses related to seeking other employment, or any combination thereof, up to an amount not to exceed \$500 for each year of net credited service (prorated for any partial year of service) to a maximum of \$2,500. Any such expenses for which reimbursement will be made must be approved by the Company prior to being incurred and must be incurred within one year from the date of termination of employment except that reimbursement for tuition or training cost will be made for such expenses incurred within 2 years from the date of termination of employment.
- 6. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in this section for purposes of determining the periodic payment and the lump sum reimbursement shall be prorated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification and work group during the same period in the same manner as termination or layoff allowances are calculated.
- 7. In no event shall the Voluntary Income Protection payments (including any lump sum reimbursement) and any other allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during

the year immediately preceding the termination of service. To the extent necessary, the Voluntary Income Protection payments shall be reduced by the amount of any such other allowance paid to the employee so that the combination of Voluntary Income Protection payments and other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.

- 8. As used in this section, "Annual Compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay or other extra payments.
- 9. In addition to the conditions set forth in "3" above, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - a. Re-employment of the recipient by the Company;
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company;
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment.

### C. Extended Medical Coverage.

1. Employees who are not eligible for a service pension and (1) whose employment is terminated as a result of layoff or application of the force adjustment procedures; or (2) who elect to leave the service of the Company pursuant to the provisions of the Supplemental Income Protection Program, or the Voluntary Income Protection Program; or (3) who elect, pursuant to the technological displacement provisions in the Agreement, to accept a termination allowance and leave the service of the Company in

# BellSouth Telecommunications, Inc.

**Effective** 

August 9, 1992

- F. Employees involuntarily transferred under the provisions of 12.04 shall have the right to claim the job from which they were moved if the job should become available within five years after such move as described in 7.01K.
- 8.06 Supplemental Income Protection Program, Voluntary Income Protection Program and Extended Medical Coverage:
  - A. Supplemental Income Protection Program.
    - 1. If during the term of this Agreement, the Company notifies the Union in writing that an employee is unable to remain in his/her current job because of a permanent medical restriction, or a technological change (defined in 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in a work location which will necessitate lay-offs or involuntary permanent reassignments of regular employees to different job titles involving a reduction in pay or to work locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees in the affected job titles and work locations, who have at least 10 years of net credited service may elect, in the order of seniority and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Supplemental Income Protection benefits described in this Section subject to the following conditions:
      - a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which employee may leave the service of the Company pursuant to this Section. Neither such determination by the Company nor any other part of this Section shall be subject to arbitration.

- b. The number of employees who may be considered shall not exceed the number of employees determined by the Company to be surplus.
- c. An employee's decision to leave the service of the Company and receive Voluntary Supplemental Income Protection benefits must be in writing and transmitted to the Company within 10 days from the date of the Company's offer in order to be effective and it may not be revoked after such 10 day period.
- 2. Supplemental Income Protection payments for employees who leave the service of the Company in accordance with "1" above shall begin within one month after such employee has left the service of the Company to continue until 48 payments have been made. The employee may elect to receive this payment in one lump sum should he/she so desire.
- 3. The following SIPP/ESIPP payment table is designed for use with technological surplus under Article 7 and for permanently medically restricted placement as described in Section 8.08. Employees who receive either voluntary SIPP or ESIPP shall not be entitled to a termination allowance under this article or further processing under Article 7.

## a. Voluntary SIPP/ESIPP Payment Table

Completed Years of Continuous Service	Wage Scales in Pension Band Up to 107	Wage Scales in Pension Band 108-109	Wage Scales in Pension Band 110-111	Wage Scales in Pension Band 112-114	Wage Scales in Pension Band 115-118	Wage Scales in Pension Band 119-120	Wage Scales in Pension Band 121+
10-11	\$ 8,500	\$ 8,800	\$ 9,100	\$ 9,400	\$ 10,200	\$ 10,400	\$ 10,800
12-13	10,200	10,500	10,800	11,300	12,200	12,600	13,000
14-15	11,800	12,300	12,800	13,400	14,300	14,800	15,300
16-17	13,400	14,100	14,600	15,300	16,600	17,200	17,800
18-19	15,400	16,100	16,800	17,600	19,100	19,800	20,400
20	16,800	17,500	18,300	19,200	20,900	21,700	22,500
21	18,200	19,000	19,900	20,800	22,700	23,500	24,500
22	19,600	20,500	21,500	22,600	24,500	25,400	26,400
23	21,100	21,900	22,900	24,100	26,300	27,300	28,300
24	22,500	23,500	24,500	25,800	28,100	29,100	30,300
25	23,900	25,000	26,100	27,500	29,900	31,000	32,400
26	25,300	26,300	27,500	29,000	31,700	32,900	34,300
27	26,600	27,800	29,200	30,600	33,500	34,800	36,300
28	28,100	29,300	30,700	32,300	35,300	36,700	38,300
29 and over	30,700	32,100	33,700	35,400	38,700	40,300	42,100

- 4. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in determining the monthly payment or the lump sum payment shall be prorated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group during the same period in the same manner as termination or layoff allowances are calculated.
- 5. In addition to the conditions set forth above, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:

- a. Re-employment of the recipient by the Company
- b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company
- c. Employment of the recipient by a competitor of the Company or competitive self-employment.

# B. Voluntary Income Protection Program.

- 1. If during the term of this Agreement, the Company notifies the Union in writing that technological change (defined in 1.30 as changes in equipment or methods of operation) has or will create a surplus in any job title in any work location which will necessitate lay-offs or permanent reassignments involuntary of employees to different job titles involving a reduction in pay or to locations requiring a change of residence, or if a force surplus necessitating any of the above actions exists for reasons other than technological change and the Company deems it appropriate, employees in the affected job titles and work locations, who have at least 2 years of net credited service may elect, in the order of seniority, and to the extent necessary to relieve the surplus, to leave the service of the Company and receive Voluntary Income Protection benefits as described in this section subject to the following conditions:
  - a. The Company shall determine the job titles and work locations in which a surplus exists, the number of employees in such titles and locations who are considered to be surplus, and the period during which the employee may, if he/she so elects, leave the service of the Company pursuant to this section. Neither such determinations by the Company nor any other part of this Section shall be subject to arbitration.

- b. The number of employees who may make such election shall not exceed the number of employees determined by the Company to be surplus.
- c. An employee's election to leave the service of the Company and receive Voluntary Income Protection must be in writing and transmitted to the Company within 15 days from the date of the Company's offer in order to be effective. The provisions of "B" above notwithstanding, an employee who otherwise meets the requirements of the Voluntary Income Protection Program may, however, in advance of a declaration of a surplus submit a letter to the appropriate Placement Bureau indicating his/her willingness to accept an offer to leave the service of the Company under the terms of the Program if an offer is tendered. Such letters of interest will remain on file indefinitely, unless withdrawn by the employee, and considered with all other requests under this Program.
- 2. In any force surplus situation where this provision may be applicable it will not be implemented by the Company unless and until employees in the affected job titles and work locations who are eligible have had an opportunity to leave the service of the Company and receive Supplemental Income Protection or Expanded Supplemental Income Protection.
- 3. Voluntary Income Protection payments for employees who so elect to leave the service of the Company in accordance with "1" above shall begin at the next applicable payroll date after such employee has left the service of the Company. Payments will not continue beyond 60 weeks after the employee has left the service of the Company. Payments will be made coincident with normal payroll periods for the work group in which the recipient was employed immediately prior to terminating employment.

- 4. For an employee who so elects in accordance with "1" above, the Company will pay as Voluntary Income Protection payments:
  - --For each year of net credited service up to and including 9 years, one week of pay.

Such pay shall be equal to the recipient's basic rate of pay at the time of termination of employment. For any partial year of service, the payments set forth above will be prorated.

- 5. In addition to the payments set forth in "4" above, for an employee who so elects in accordance with "1" above. the Company will reimburse the employee for actual expenses incurred for relocation costs, tuition or training costs, or job placement expenses related to seeking other employment, or any combination thereof, up to an amount not to exceed \$500 for each year of net credited service (prorated for any partial year of service) to a maximum of \$2,500. Any such expenses for which reimbursement will be made must be approved by the Company prior to being incurred and must be incurred within one year from the date of termination of employment except that reimbursement for tuition or training cost will be made for such expenses incurred within 2 years from the date of termination of employment.
- 6. The years of net credited service and the final full-time basic weekly or equivalent wage rate as used in this Section for purposes of determining the periodic payment and the lump sum reimbursement shall be prorated for any period of time during which an employee is employed on a part-time basis in the proportion of such employee's basic rate of pay during any such period to the basic rate of pay for an equivalent full-time employee in the same job title, classification, and work group

- during the same period in the same manner as termination or layoff allowances are calculated.
- 7. In no event shall the Voluntary Income Protection payments (including any lump sum reimbursement) and any other allowance paid exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) received during the year immediately preceding the termination of service. To the extent necessary, the Voluntary Income Protection payments shall be reduced by the amount of any such other allowance paid to the employee so that the combination of Voluntary Income Protection payments and other allowance payments does not exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (or its equivalent) for the year immediately preceding the termination of service.
- 8. As used in this Section, "Annual Compensation at the basic weekly rate (or its equivalent)" or "basic weekly wage rate (or its equivalent)" do not include tour or temporary differentials, overtime pay, or other extra payments.
- 9. In addition to the conditions set forth in "3" above, any payments to a recipient hereunder shall be suspended upon the happening of any of the following:
  - a. Re-employment of the recipient by the Company
  - b. Employment of the recipient by an affiliate or subsidiary company within the same control group of companies as is the Company
  - c. Employment of the recipient by a competitor of the Company or competitive self-employment.

# C. Extended Medical Coverage.

1. Employees (1) whose employment is terminated as a result of layoff or application of the force adjustment procedures; or (2) who elect to leave the service of the Company pursuant to the provisions of the Supplemental

# COUNT OF NMGT EMPLOYEES SEPARATION WITH SIPP/ESIPP OR VIPP DATA AS OF 6/30/93

		DATA AS	OF.	6/30/93
1984				
SOUTHERN	SIPP			VIPP
SOUTH CENTRAL	NA 296			NA
BELLSOUTH SERVICES	0			5 0
	•			U
TOTAL	296			5
1985				
	SIPP			VIPP
SOUTHERN	NA			NA
SOUTH CENTRAL BELLSOUTH SERVICES	278 14			15
DEELESCOIR SERVICES	14			0
TOTAL	292			15
1986				
	SIPP			VIPP
SOUTHERN	253			5
SOUTH CENTRAL	136			11
BELLSOUTH SERVICES	1			0
TOTAL	390			16
1987				
	SIPP			VIPP
SOUTHERN	164			6
SOUTH CENTRAL	69			8
BELLSOUTH SERVICES	6			0
TOTAL	239			14
				7.4
1988				
	SIPP			VIPP
SOUTHERN	12			<del>V111</del>
SOUTH CENTRAL	69			8
BELLSOUTH SERVICES	6			Õ
TOTAL	87			12
	0,			13
1989				
1703	SIPP			77 T TO TO
SOUTHERN	109			VIPP 7
SOUTH CENTRAL	170			11
BELLSOUTH SERVICES	1			0
				·

280

18

TOTAL

## 

SOUTHERN SOUTH CENTRAL BELLSOUTH SERVICES	SIPP 116 172 26	VIPP 3 9 0
TOTAL	314	12
1991		
COUMURAN	SIPP	VIPP
SOUTHERN SOUTH CENTRAL	165	
BELLSOUTH SERVICES	173 9	11
DEEDSOOTH SERVICES	,	2
TOTAL	347	21
1992		
	SIPP/ESIP	<u>VIPP</u>
BELLSOUTH TELECOMM	114	4
TOTAL	114	4
AS OF JUNE 1993		
	SIPP/ESIPP	<u>VIPP</u>
BELLSOUTH TELECOMM	256	-0
TOTAL	256	0

# Voluntary Sep... ation Plan Activity For All rarticipating Companies 1/1/84 through 7/1/93

Management Transition Assistance Plan (MTAP) (No official data prior to 1987 available)

Company	1987	1988	1989	1990
Southern Bell	*	5	1	69
South Central Bell	*	0	0	19
BellSouth Services	*	0	0	5
BellSouth Corp Headquarters	*	0	0	1
Total	134	5	1	94

<sup>\*</sup>Breakdown by company not available.

Voluntary Separation Income Pay Plan (VSIPP)

Company	1987	1988/89
Southern Bell	1,149	338
South Central Bell	890	288
BellSouth Services	314	132
BellSouth Enterprises	70	3
BellSouth Corp Headquarters	12	6
BellSouth Adver & Pub	0	9
BeilSouth Government Sys Inc	0	1
BellSouth Mobility	0	5
BellSouth Systems Tech	0	1
Total	2,435	783

Voluntary Enhanced Early Retirement (VEER)

	200011 01110	
Company	1990	1991
BellSouth Telecommunications	-	2975
*Southern Bell	531	-
*South Central Bell	432	-
*BellSouth Services	141	-
BellSouth Enterprises	27	87
BellSouth Corp Headquarters	15	29
Total	1,146	3,091

<sup>\*</sup>Combined to form BellSouth Telecommunications Inc., 3/1/91.

Career Transition Assistance Plan (CTAP)

Company	1992	1993
BellSouth Telecommunications	5	44
BellSouth Corp Headquarters	2	0
BellSouth Communications Inc	2	1
Totai	9	45

**Executive Continuity Transition Assistance Plan (ECTAP)** 

Company	1987	1988
Southern Bell	1	2
South Central Bell	0	2
Total	1	4

#### BELLSOUTH CRID USE. GUIDE

VOLUME PART SECTION

SYSTEM OVERVIEW I:

2: SYSTEM DESCRIPTION

OVERVIEW OF CRIS 1:

through an interexchange of transactions. This interexchange, referred to as CARE, enables the Carriers to keep up with a customer's local exchange sarvice.

Summary of CRIS Accounts and CRIS-MP Functions

- 1.19 In summary, CRIS Accounts includes the following functions:
  - Service Order Processing
  - CRIS Accounts Data Base Processing
  - Customer Billing
  - Payment and Adjustment (Cash) Processing
  - Taxation of Applicable Services
  - Journalization of Revenues
  - Statistical Reporting
  - Study Reporting
  - Presubscription & Equal Access Processing
  - On-Line Accounts Inquiry
  - Miscellaneous Processing
- 1.20 CRIS Message Processing includes these functions:
  - Maintenance of Message Guides
  - Receipt, Translation and Processing of Rew Usage Data
  - Rating of Messages
  - Application of Discounts and Allovances
  - Formatting of Bill Pages
  - Other Carrier Recording, Rating and Billing of Usage
  - Statistical Reporting
  - Generation of Study Data
  - Unidentified and Unlocated Message Investigation
  - Miscellaneous Processing
- 1.21 Figure 1 which follows is a flouchart of CRYS Accounts and MP and the relationships between the subsets of the system.

F81K86W 881361

10/01/90

2.1.6

R-95%

0017

Southern Bell Tel. & Tel. Co. FPSC Docket No. 920260-TL Audit Date: 06/29/93 Amended Response Item No. 6-016

Request: Please provide a complete copy of currently extant all executive directives, accounting policy letters, accounting instructions, and all other accounting guidelines related to affiliate transactions that have been issued by BellSouth Enterprises, BellSouth Telecommunications and its predecessors and all other BellSouth entities.

Response: The Company amends its response of July 14, 1993 as follows:

Attachment I is the BellSouth Executive Directive (ED) No. 008, relating to affiliate transactions.

Page 1 of 1

See Response to Item No. 6-073, for BellSouth Topical Policy Guidance which addresses affiliate transactions.

See Response to Item No. 2-097, part 12, for BSE accounting directives.

Attachment II is Accounting Classification Letter 10-03.

Attachment III is Accounting Classification Letter 10-10.

Attachment IV is a letter regarding implementation of ED No. 008.

Attachment V is Financial Systems Documentation CN20.

Attachment VI is Executive Instructions No. 2.

Attachment VII is Accounting Policy Letter 610-01.

Attachment VIII is Accounting Policy Letter 300-01.

Attachment IX is Accounting Policy Letter 620-01.

Attachment X is Revised Accounting Policy Letter 610.02.

Attachment XI is the BellSouth Corporate Plan for compliance with the 2/6/87 Order in FCC Docket CC 86-111.

Attachment XII is Executive Instructions No. 10.

These attachments are being sent in the overnight mail on September 23, 1993.

Date Provided: September 23, 1993

# EXECUTIVE DIRECTIVE

Executive Directive No. 008

Issued 12-28-90

Revised 7-31-93

#### Affiliate Transactions

#### **Policy Statement:**

It is the policy of BellSouth Corporation (BSC) to comply with all public laws and regulations governing transactions between BellSouth's affiliated entities. This policy applies to all transactions which occur directly between BellSouth Telecommunications (BST) and its non-regulated affiliates as well as transactions between non-regulated affiliates which indirectly affect BST's expenses or investment. The policy extends both to sales of products/services and to transfers of assets.

#### General Guidelines:

The Federal Communications Commission (FCC) Rules, Section 32.27 and Section 64.901, the Joint Cost Order (JCO) and various state statutes and regulations provide the basis for telecommunications common carrier accounting for transactions with affiliates. These regulations apply regardless of the number or magnitude of the transactions, i.e., there is no "materiality" threshold for the regulatory requirements.

Any new affiliated transactions having direct or indirect impact on BST's expenses or investments must be submitted prior to their implementation for approval by the BSC Asst. Vice President - Controllers and/or the BST Chief Accountant as appropriate. The prior approval requirement applies to any new types of transactions whether or not conducted subject to a contract.

Where affiliate transactions will occur on a regular basis pursuant to a contract, each transaction must comply with the affiliate transaction rules. For ongoing similar transactions occurring subject to a contract, this approval must be obtained prior to the first incidence of the transactions only.

#### Special Provisions Applicable to Certain Categories of Transactions

Effective with the issuance of the revised Directive, any new affiliate transactions with BST or its subsidiaries, BellSouth Corporation Headquarters (BSC-HQ), BellSouth Advertising and Publishing Co. (BAPCO) or any new transactions that indirectly affect BST's expense or investment must be at market price or tariff rate.

The affiliate proposing the new service must submit, prior to implementation, documentation demonstrating that a substantial outside/ non-affiliate market or tariff exists for these services.

For purposes of this Directive, the market price, as defined by the FCC affiliated transaction rules, is the price at which a product/service is sold to the general public for the same or similar product/service offered to affiliates. Although the level of non-affiliated business necessary to establish a substantial outside market price under the FCC's definition is subject to interpretation by the FCC, this internal policy requires that the entity providing the service currently have greater than 30% of its revenue from the product/service with non-affiliates. This market price internal requirement pertains to products/services only and not asset transfers.

These special provisions do not include: BST direct transactions with BellSouth Business Systems (BBS), transactions within BBS, or BSC-HQ project and general service billings to affiliates.

#### Specific Documentation Requirements:

Specific documentation requirements for the transaction review and approval process will vary by type of transaction/contract proposed, but should include as a minimum:

- 1. Demonstration and discussion of financial and strategic importance to BellSouth.
- Demonstration of market or tariff based pricing as defined and excluding those transactions referenced in the revision above.
- 3. Complete description of proposed contract(s) and/or transaction(s) including frequency, magnitude, pricing methodology, etc.
- 4. A summary of the receiving entity's evaluation of alternative sources of supply.
- 5. Demonstration of compliance with FCC and state PSC regulations and special revisions as referenced above.

Additional documentation may be submitted or requested if circumstances warrant. For purposes of complying with this Directive, it is the responsibility of the entity providing the product or service, or the sending entity when assets are transferred, with any required assistance from the receiving entity, to ensure the completion of the necessary documentation and approvals. The providing entity must also be prepared to produce, on demand, for inspection by the appropriate regulatory authorities, the documents necessary to substantiate the market price or, for the exceptions listed, the reasonableness of its costs. All proprietary and confidential information should be marked accordingly.

The Vice President with Controller responsibilities in BellSouth Corporation and BellSouth Telecommunications are responsible for implementing and interpreting this Directive within their Companies. The BST Group President - Regulatory and External Affairs and/or the BSC Asst. Vice President - Regulatory & Legislative matters will be notified of all new types of transactions approved under this Directive as appropriate. These officials are responsible for ensuring appropriate communications to regulators and other external bodies concerning BST and BSC affiliate relationships, as well as for filing formal notices and petitions where required.

#### **Applicability:**

This Directive is applicable to each employee of BellSouth Corporation and its wholly-owned or managerially-controlled subsidiaries.

#### **Contact Organizations:**

**BellSouth - Controllers** 

BellSouth - Regulatory & Legislative Matters BellSouth Telecommunications - Comptrollers

BellSouth Telecommunications - Regulatory and External Affairs

Recommended:

Vice President and Controller

Concurred:

Executive Vice President and

General Counce

Concurred:

**Executive Vice President and** 

Chief Financial Officer

Approved:

Vice Chairman

F01K06H 802319

Principles for Miscellaneous Billing and Affiliated Transactions

**(** 

**BellSouth Services** 

Classification Letter

June 22, 1990

¥

III 1990

related letters:

MARTINUMEN HALE:

1796

4000

Assistant Comptrollers and Assistant Vice Presidents (Dealing with Accounting Matters)

BellSouth Corporation, BellSouth Services, Southern Bell, and South Central Bell

R. T. Bishop, Comptroller

trom:

gesenation:

and the s

to:

Principles for Miscellaneous Billing and Affiliated Transactions

Attached is a revision to Classification Letter 10-10, Principles for Miscellaneous Billing and Affiliated Transactions. Major changes to this letter include the following:

- 1. Clarification that the term "services" includes a broad category of activities performed for the benefit of another entity.
- 2. Documentation of revised policies concerning the definition of net book cost and the transfer of deferred taxes. Net book cost is now defined as the original purchase price less accumulated depreciation only. Deferred taxes and investment tax credits should not be transferred when assets are purchased or sold between regulated and nonregulated affiliates.
- 3. Clarification concerning the application of the Joint Cost Order to BellSouth Services (BSS). BSS is subject to the affiliated transaction rules when dealing with regulated affiliates or nonregulated affiliates. An exception to BSS following the rules is permissible only if none of the associated costs will ever be transferred into regulation. Any exception must be concurred in by the BSS Comptrollers Joint Cost and Accounting Principles group.
- 4. Documentation of the entity which bears the loss when an asset is purchased from a nonregulated affiliate. When an asset is purchased from a nonregulated affiliate and the transaction is to be booked at the lower of net book cost or fair market value, any asset written down should generally be recorded by the nonregulated affiliate prior to the transfer.

5. Clarification that the Southern Bell and South Central Bell Comptrollers organizations are responsible for retaining all documentation associated with asset purchase/sale transactions with nonregulated affiliates.

Maintaining this document is the responsibility of the Joint Cost and Accounting Principles group. Questions may be directed to Ross Martin at (404)529-7245.

R. T. Bishop, Compypiler

RECOMMENDED:

S. G. Patterson Segment Manager -

Joint Cost & Accounting Principles -

Comptrollers

D. L. Smith

Director -

Regional Accounting Matters -

Comptrollers

Attachment

Principles for Miscellaneous Billing and Affiliated Transactions Section: 10 Letter: 10

Issuance: June 22, 1990 Effective: June, 1990

Page: 1

# PRINCIPLES FOR MISCELLANEOUS BILLING AND AFFILIATED TRANSACTIONS

#### INDEX

1.0	GENERAL	
2.0	SCOPE	
3.0	COSTS ASSOCIATED WITH PERFORMING WORK FOR OTHERS	
4.0	BILLING CATEGORIES	
5.0	DETERMINING AMOUNT TO BILL	
6.0	ACCOUNTING REQUIREMENTS FOR BILLING CATEGORIES	
7.0	CUSTOM WORK	
8.0	REIMBURSEMENTS	
9.0	REVENUES	
10.0	ACCOUNTING AT TIME OF BILL ISSUANCE	
11.0	ACCOUNTING FOR PARTIAL REIMBURSEMENTS	
12.0	JOINT COST ORDER APPLICABILITY	1
13.0	AFFILIATED TRANSACTION RULES - GUIDELINES	
14.0	AFFILIATED TRANSACTION RULES - RESPONSIBILITIES	
	TRANSACTIONS DETWEEN AFEILIATED TELEDMONE COMPANIES	1

\* Text Changed

Section: 10 Letter: 10 Insunnes: June 22, 1990- -

Page: 2

Effective: June, 1990

PRINCIPLES FOR MISCELLANEOUS BILLING AND AFFILIATED TRANSACTIONS -

#### GENERAL

1

The purpose of this Classifications Letter (C-Letter) is to establish 1.01 accounting principles and classification requirements for bills rendered by Southern Bell and South Central Bell for miscellaneous billing to affiliates and nonaffiliates derived from activities performed aside from the companies' tariffed telecommunications services and non-regulated lines of business.

This C-Letter includes accounting guidelines for transactions between a regulated telephone company and a non-regulated affiliate as prescribed in Section 32.27 of Part 32, Uniform System of Accounts. Also included are guidelines for transactions between affiliated telephone companies (Southern Bell and South Central Bell).

- Costs are billed whenever a service is rendered to another company. The 1.02 term "services" includes a broad category of activities performed for the benefit of another entity (see paragraph 13.08). The company performing the service should bill the entity which requested the service.
- 1.03 The miscellaneous billing portion of this C-Letter is derived from the accounting policies incorporated in BellSouth Corporation's Accounting Policy Letter (APL) 300-01, Accounting for Miscellaneous Billing. Other related documentation includes C-Letter 10-06, Overhead Rate Development Concepts. C-Letter 10-06 defines overhead rate categories and provides the calculations for each overhead rate.

#### 2 **SCOPE**

- Paragraphs 3 and 4 include the costs associated with performing work for 2.01 others and definitions of the various billing categories. Paragraph 5 discusses how to determine the billed amount. Accounting requirements for the various billing categories are addressed in paragraphs 6-9. Paragraphs 10 and 11 discuss accounting at the time of bill issuance and accounting for partial reimbursements, respectively. Paragraph 12 describes the background of the Joint Cost Order and its impact on billing. The Federal Communications Commission's (FCC) affiliated transaction rules between a regulated telephone company and a non-regulated affiliate are described in paragraphs 13-14. Paragraph 15 describes the accounting guidelines for transactions between affiliated telephone companies.
  - Text Changed

# Text Added

@ Paragraph Renumbered

PRINCIPLES FOR MISCELLANEOUS
BILLING AND APPILLATED TRANSACTIONS

Section: 10 Letter: 10 No: December 1989

Page: 3

Issuante: December, 1968 Effective: December, 1968

### 3. COSTS ASSOCIATED WITH PERFORMING WORK FOR OTHERS

- 3.01 In Docket No. 86-111, the FCC established a cost allocation process to separate the cost of regulated and non-regulated activities offered by a BOC. This order, modified Part 32 (USOA) and Part 64.901 (Allocation of Costs) to reflect its requirements. Rules were established for the transfer of assets and the provision of services between BOCs and their non-regulated affiliates. These rules also apply to transfers between a BOC's regulated and non-regulated accounts and transactions between the BOC's regulated and non-regulated activities. All miscellaneous billing between the BOCs and non-regulated affiliates must be subject to these guidelines as outlined in paragraph 13 of this C-Letter. All miscellaneous billing based on cost should follow the fully distributed costing principles of Part 64. The billing principles of this C-Letter are in compliance with these Part 64 guidelines.
- 3.02 Billable costs are categorized as follows:
  directly assigned/attributed costs, indirectly assigned/attributed costs, and
  ancillary charges. These cost categories are summarized below.

#### Directly Assigned/Attributed Costs

- 3.03 Directly assigned/attributed costs are defined as resource costs which can be specifically assigned or attributed to work performed for others. Directly assigned/attributed costs consist of the following elements:
  - 1. Direct labor costs of the work performed, including direct administration and administrative clerical costs, staff support costs as well as all associated employee-related miscellaneous costs.
  - 2. Costs associated with facilities used directly in performing the work to the extent that such costs are an integral part of the costs of the business function using the facilities.
  - Any costs billed by outside vendors.
  - 4. Materials and supplies used.
  - 5. Property related costs associated with property of the performing company used directly in the course of performing work for another party. These costs are billed as investment related overheads which are associated with the primary investment by the employees performing the work.

NOTICE

Not for use or disclosure outside BellSouth or any of its subsidiaries except under written agreement

PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS

Letter: 10

feruance: Desember, 1984 Effective: Desember, 1988

Page: 4 🕶

#### Indirectly Assigned/Attributed Costs

- 3.04 Indirectly assigned/attributed costs include managerial, financial, and indirect property related costs that cannot be traced directly to specific work performed for others. Indirectly assigned/attributed costs are categorized as either property-related costs or non-property related costs.

  Property-related costs are those costs associated with company property which are viewed as indirectly supporting the work performed by employees of the company.
  - 3.0401 The following six distinct cost elements are ordinarily associated with property owned by a telecommunications company:
    - 1. Plant specific operations expense (e.g., maintenance expenses for motor vehicles, land and buildings, computers, etc.)
    - 2. Depreciation
    - 3. Property taxes paid based on the property
    - 4. Return on the company's investment in the property
    - 5. Gross up for federal, state, and local income taxes
    - 6. Capital stock taxes
- 3.05 Non-property related costs are secondary costs (managerial, financial, support, etc.) that cannot be traced directly to specific work performed for others. Such non-property related loadings include:
  - (1) Corporate Operations Expenses (e.g., executive, legal, accounting and finance)
  - (2) Plant Nonspecific Operations Expenses (except depreciation)

#### Ancillary Charges

- 3.06 Ancillary charges include the allowance for cost-of-funds expense associated with the incurrence of expenditures in performing work for others, recovery of appropriate local taxes, and inclusion of an additional profit element when deemed appropriate. These ancillary costs are as follows:
  - (1) Float Charges
  - (2) Gross Receipts Tax
  - (3) Sales Tax
  - (4) Profit

#### NOTICE

Not for use or discinsure mitside BellSouth or any of its subsidiaries except under written agreement Principles for Miscellaneous Billing and applicated transactions Section: 10 Letter: 10 Mars: December 1944

Imuanca: December, 1968 Effective: December, 1968

Page: 5

#### 4. BILLING CATEGORIES

4.01 This paragraph addresses the various types of billing categories, including custom work, reimbursements, rents, and other incidental billing. Each category is described and examples are cited. Paragraphs 6-9 addresses the accounting requirements for these various billing categories.

#### Custom Work:

4.02 Nontariffed plant construction, including cost of removal and associated engineering and design costs performed for others incident to the company's regulated telecommunications operations. These construction activities are requested by the billed party (customer) and ownership is retained by that party, not the company. For example, the company may perform various services requested by customers such as installation of booths and enclosures for privately owned semi-public telephones.

#### Reimbursements:

- 4.03 Although Generally Accepted Accounting Principles (GAAP) and Part 32 USOA generally require revenue recognition for cash inflows or their equivalents from an entity's ongoing major or central operations, certain exceptions have been made. FASB Statement Number 14 states that intersegment billings for the cost of shared facilities or other jointly incurred costs do not represent sales. The FCC has also provided an exception for certain reimbursable expenses. In Part 32, reimbursements are defined as "actual costs incurred in connection with joint operations or projects, repairing plant due to damages by others, and obligations to make changes in telecommunications plant". The FCC states that these reimbursements shall be credited to the accounts originally charged.
  - 4.0301 Joint operations are defined as joint ventures, shared facilities, and shared services. Joint operations include a company's participation in a joint venture to share in the resulting efficiencies of using joint resources. An example of a joint venture would be the 800 Data Base Joint Operations Service in which investments are owned by one entity and shared with other entities.
  - 4.0302 Shared facilities are also a type of joint operation. This type of arrangement allows for the use of investment resources of one party by another. Examples include billing under the Shared Network Facilities Agreement (SNFA) and shared billing and collection functions provided to others.

#### NOTICE

Not for use or disclosure outside BellSouth or any of its subsidiaries except under written agreement

Principles for miscellaneous Billing and appillated transactions Section: 10 Letter: 10

Issuance: December, 1988 Effective: December, 1988

Page: 6 . --

4.0302 (Cont.)

Joint operations also includes billing for shared services. Examples include billing for administrative services, asset usage, house services, etc., which is processed by the Authority Based Billing System (ABBS). Based upon GAAP and Part 32, shared services billing is a reimbursement and not revenue.

4.04 Reimbursements include repairing plant due to damages by others (cut cable or conduit, damaged poles etc.) and obligations to make changes in telecommunications plant (billing for federal-aid highway projects, state Department of Transportation billing etc.).

#### Renti

4.05 Rent is defined as revenues (including taxes when borne by the lessee) derived from the rental or subrental to others of telecommunications plant furnished apart from telecommunications services rendered by the company. It includes revenue from the rent of such items as space in conduit, pole line space for attachments, use of right of way based on agreements with electric utilities or CATV companies, and rental of central office equipment to others. Carrying charges on property used in joint operations and shared facilities agreements are also included as rent revenues.

#### Other Billing:

- 4.06 All other billing (with the exceptions of custom work, reimbursements, and rents) that are incidental to the company's regulated telecommunications operations. Other billing includes billing for plant operations, customer operations, corporate operations, and other incidental regulated revenue.
- 4.07 The various types of other billing are defined below:
  - 4.0701 Plant operations revenue Revenue from contracted services of plant maintenance and engineering performed for others (on their property) incident to the company's regulated telecommunications operations. An example is revenue received from the maintenance of independent company plant. Revenue related to the performance of operation or maintenance activities under a joint operating agreement are excluded from this definition.
  - Customer Operations Revenue Revenue derived from the performance of customer operations services for others incident to the company's regulated telecommunications operations which are not provided for elsewhere. Examples would include discussion of bills or establishing new services for other companies with their customers. This further includes: company operator services on toll lines terminating from a connecting company in a switchboard of this company; providing centralized rate and route information for others; and rendering unattended dial exchange operating office service.

NOTICE

Not for use or disclosure outside BeilSouth or any of its subsidiaries except under written agreement

#### Classification letter Regional accounting matters

PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS

Letter: 10

Effective: December, 1968

Page: 1

- 4.0703 Corporate Operations Revenue Revenue from services rendered to other companies under a license agreement, general services contract, or other arrangement providing for the furnishing of general accounting, financial, legal, patent, and other general services associated with the provision of regulated telecommunications services.
- 4.0704 Other Incidental Regulated Revenue These revenues include the other incidental regulated revenue not provided for in other Revenue accounts. Examples are as follows:
  - 1. Amounts from unclaimed refunds (except where escheat laws provide otherwise) or overcharges on telephone service and from overages in cash receipts as disclosed in reconciling differences between customers' paid receipts and reports of actual bank deposits
  - 2. Charges for customer checks returned for non-payment.
  - 3. Penalties or interest charged for late payments.
  - 4. Discounts allowed to customers for prompt payments (Debit).
  - 5. Revenues for rights to commercial advertising on company owned public telephone enclosures and booths.
  - 6. Revenues from processing commercial credit card charges for other carriers from coinless public telephones.

#### 5. DETERMINING AMOUNT TO BILL

5.01 Direct costs are generally determined and accumulated through use of the company's cost reporting and cost distribution processes. Indirect and ancillary costs are determined as described in Classifications Letter 10-06 (Overhead Rate Development Concepts).

#### Determining Investment Amounts Associated with Property Related Costs

- 5.02 When property is used <u>directly</u> in providing a billable service it is appropriate to bill property related costs. Such costs should be determined for capital assets (e.g., land, buildings, furniture, computers etc.) when the investment is used directly in performing the work. As described in Classifications Letter 10-06, this direct investment is added to the supporting investment to provide the total investment. The total investment is multiplied by the investment related loadings (e.g., return on investment, income tax, property tax, etc.) to compute the investment related costs for billing.
- 5.03 The <u>supporting</u> investment used in computing the investment related costs is determined as described in Classifications Letter 10-06. Generally, the investment associated <u>directly</u> with work performed for others should be determined annually by location or inventory using continuing property records or by allocation of investment at a location using an appropriate usage factor.

#### NOTICE

Not for use or disclosure outside BellSouth or any of its subsidiaries except under written agreement

PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS

Letter: 10 Letter: 10 Letter: December, 1968 Effective: December, 1968

Page: 4

- 5.0301 Land (Account 2111) investment representing property used directly in performing work for others should be determined by dividing the total land investment at the service location by the total assignable building square feet at the service location, for an investment cost per square foot. This amount should be multiplied by the total building square feet assigned the service provider, to obtain the land investment directly associated with the work performed.
- Motor Vehicles (Account 2112) investment representing property used directly in performing work for others should be determined by physical inventory and evaluated using actual cost records to determine the total investment. The portion of this investment utilized in performing work for others should be determined by applying an allocation or usage factor appropriate to the work being performed. Billing for motor vehicle property related costs should only apply when the motor vehicles are an integral part of the service provided.
- 5.0303 Building investment (Account 2121) representing property used directly in performing work for others should be determined in the same manner as described in paragraph 5.0301 using the total buildings investment at the service location.
- 5.0304 Computer investment (Account 2124) representing property used <u>directly</u> in performing work for others is determined in the following manner:
  - 1. Southern Bell Divide the expenses associated with the billed Centralized Data Processing (CDP) job codes (work functions) by the total CDP expenses. Multiply this amount by the total investment.
  - 2. South Central Divide the total CDP investment by the total CDP related expenses. Multiply this amount by the expenses associated with the billed CDP job codes.
- 5.0305 Central Office Equipment, and other telecommunications plant investment not specifically mentioned that represents property used directly in performing work for others should be determined by service location using physical inventory and actual cost records to determine the total investment at the service location. The portion of this investment utilized in performing work for others should be determined by applying an allocation or usage factor appropriate to the work being performed.

#### NOTICE

Not for use or disclosure outside BellSouth or any of its subsidiaries except under written agreement

Principles for miscellaneous Billing and appillated transactions Section: 10 Letter: 10

Lasuance: December, 1988 Effective: December, 1988

Page: 9

#### 6. ACCOUNTING REQUIREMENTS FOR BILLING CATEGORIES

- 6.01 In this document, the phrase "when billed" refers to the time at which a billable amount is first recognized as an Account Receivable in the billing company; in some cases this will occur prior to closing the books for the month in which the costs involved were incurred by that company. The phrase does not necessarily refer to the actual preparation/issuance of a bill document, which may occur in a subsequent month. As to the debtor party, the phrase refers to the time at which a billed (or billable) amount is first recognized as an Account Payable in that party's books. In cases where the billing company and the debtor party are affiliated, these two corollary accounting actions would occur in the same month; in other cases, they may not.
- 6.02 Paragraphs 7-9 provide accounting requirements for the various billing categories in the following manner: Accounting by the billing company when incurred, accounting by the billing company when billed, and accounting by billed company. Accounting requirements are included for direct, indirect, and ancillary costs.

#### 7. CUSTOM WORK

#### Accounting by the billing company when incurred:

- 7.01 Direct costs of constructing property that are incurred under an agreement to construct plant entirely for another company must be moved out of the constructing company's telecommunications plant account in the month of initial incurrence. These costs must appear as an account receivable of the constructing telecommunications company as of the close of that month. The appropriate Subsidiary Record Category (SRC) is 1190.4000 for unaffiliated companies and 1190.1400 for affiliated companies. This requirement also applies to that portion of another company's share of direct costs associated with joint ownership construction.
- 7.02 Any indirect cost incurred should be charged to the appropriate expense accounts. For example, general engineering costs will be booked to Account 6535 (Engineering Expense) and the costs of procuring materials and supplies will be booked to Account 6726 (Procurement Expense).

#### Accounting by the billing company when billed:

7.03 Generally, direct, indirect and ancillary costs associated with custom work should be appropriately accounted for by the billing company to Account 7110 (Income From Custom Work). This can be accomplished by crediting the expense accounts and the Accounts Receivable originally charged and debiting Account 7110 for the total costs. Total revenues from custom work should be credited to Account 7110. Return on Investment, gross-up for Income Taxes, profit, float and the gross receipts taxes should also be credited to Account 7110. Sales tax amounts should be classified as a credit to Account 4010, Accounts Payable.

#### NOTICE.

Principles for Miscellaneous Billing and Appiliated Transactions Portfed: 1

Issuance: December, 1988 Effective: December, 1988

Page: 10

#### Accounting by billed company:

Direct costs billed to a BOC in regard to work involving construction of property for that company by an outside party should be accounted for in the billed company as a charge to SRC 1439.9000 (Deferred Charges - Miscellaneous) until the billing detail is known. At that time, such costs should be accounted for as charges to the appropriate telecommunications plant construction/removal accounts. Non-property related costs should be charged to the appropriate expense accounts. Property-related and ancillary costs (except sales tax) should be charged to SRC 6723.9000 (Other General and Administrative Expenses). The accounting for sales tax should be allocated equitably by the billed company among the accounts applicable to the billed direct costs.

#### 8. REIMBURSEMENTS

8.01 Reimbursements are defined by the FCC as joint operations, repairing plant due to damage by others, and obligations to make changes in telecommunication plant.

#### JOINT OPERATIONS

#### Accounting by the billing company when incurred:

8.02 Direct and indirect costs representing operating expenses incurred for joint operations associated with regulated telecommunications operations should be reported to the applicable expense accounts of the company performing the work as they are incurred, and should remain in those accounts of that company until billing is actually rendered or until reciprocal accruals are booked in the billed company. Direct and indirect costs of work performed for another company as joint operations that represent costs of work not associated with regulated telecommunications operations should appear as an account receivable of the telecommunications company performing the work, as of the close of the month in which they are incurred. This billing not associated with regulated telecommunication operations includes only billing associated with services which are defined as non-regulated by the FCC. This would include billing for services which have never been regulated (e.g., enhanced voice services) and those services which have been preemptively detariffed (e.g., inside wire, CPE).

#### NOTICE

Not for use or disclosure pittside BellSouth or any of its subsidiaries except under written agreement PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS

Sertina: 10 Letter: 10

Leuance: December, 1982 Effective: December, 1982

Page: 11 -

### Accounting by the billing company when billed:

8.03 When companies engage in joint operations, the billing company should journalize the reimbursement billing as provided below:

Co	st Category	Billing Co. <u>Credit</u>
ı.	Primary Costs	Reported Account or FRO
2.	Corporate Operations Expense Loadings	Corporate Operations Expense Account
3.	Plant Nonspecific Operations Expenses *	Plant Nonspecific Operations Expense Account
4.	Property Related Loadings **	Account 5240.9000, Other Rent Revenues
5.	Ancillary Costs (Gross Receipts Tax, Profit, Float)	Account 5264.9000. Other Incidental Regulated Revenue
6.	Sales Tax	Account 4010. Accounts Payable

- Excludes Depreciation
- •• Includes Plant Specific Operations Expenses, Depreciation, Return on Investment, Gross-up for taxes, Property taxes and capital stock taxes

#### NOTICE

Not for use or disclosure outside BellSouth or any of its subsidiaries except under written agreement

PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS

Section: 10 Letter: 10

Larunder: Documber, 1988 Effective: Documber, 1988

Page: 12

#### Accounting by billed company:

8.04 Generally, costs should be booked to the appropriate expense account.

Property related and ancillary costs should be charged to SRC 6728.9000 (Other General and Administrative expenses). The accounting for sales tax should be allocated equitably by the billed company among the accounts applicable to the billed direct costs.

#### OBLIGATIONS TO MAKE PLANT CHANGES AND DAMAGE BILLING

#### Accounting by the billing company when incurred:

8.05 When a company incurs direct and indirect costs associated with its property as a result of obligations or because of damage done to the property, the appropriate expense or investment account should be charged. Construction costs associated with obligations and plant damages should be retained in the constructing company's plant accounts until billed.

#### Accounting by the billing company when billed:

- Accounting for reimbursements of direct and indirect costs when billing for repairing plant due to damages by others and obligations to make changes in telecommunications plant generally requires the crediting of expense or investment accounts originally charged. The amount actually billed to recover all or a portion of the direct costs incurred for work performed on a telephone company's own plant due to obligations to make plant changes or damage billing should be accounted for in the following order:
  - (1) Credit the maintenance accounts initially charged in regard to the work done, up to the total amount originally charged.
  - (2) Credit any remainder of the billed amount to the depreciation reserve account, up to the total amount originally charged thereto in excess of the cumulative depreciation expense accruals made previously in respect to the property involved.
  - (3) Credit any remainder of the billed amount, as negative charges, proportionately among the telecommunications plant capital accounts involved, up to the total amount charged thereto in connection with the work performed.
  - (4) Credit any remaining portion of the billed amount to SRC 5264.9000 (Other Incidental Regulated Revenue).

#### NOTICE

Not for use or disclosure outside BellSouth or any of its subsidiaries except under written agreement

Principles for miscellaneous Billing and appillated transactions Section: 10 Letter: 10 (greennes: June 23, 1990 Effective: June, 1990

Page: 12

8.0601 A simplified example of the accounting described in paragraph 8.06 is provided below:

#### Situation:

A pole is knocked down and must be replaced. The original cost of the pole was \$1,000 and accumulated depreciation on the pole was \$500. As a result, IC has a debit balance of \$1,000 and IX has a credit balance of \$500. Construction costs associated with the new pole are \$1,500 (charged to IC), and maintenance costs are \$500 (charged to IM). Since the pole was destroyed, the Material System retires the pole by crediting IC for \$1,000 and debiting IX for \$1,000 (original cost). A bill is rendered for the total direct costs of \$2,000.

- Step 1: Credit the maintenance costs of \$500 to IM.
- Step 2: Credit IX for \$500. This represents the difference between the amount charged to IX for the retirement (\$1,000), and the amount of accumulated depreciation in the account (\$500).
- Step 3: Credit 1C for \$1,000. This represents the difference between the total amount billed (\$2,000) and the sum of steps 1 and 2 above (\$500 + \$500 = \$1,000).
- Step 4: An entry is not made to Account 5264, since no portion of the billed amount remains.
- 8.0602 Generally, indirect costs should be credited to the accounts originally charged. However, property related costs should be credited to SRC 5264.9000 (Other Incidental Regulated Revenue).

  Ancillary costs should also be credited to SRC 5264.9000. Sales tax should be classified as a credit to Account 4010.

#### Accounting by billed company:

8.07 Generally, costs should be booked to the appropriate expense account.

Property related and ancillary costs should be charged to SRC 6728.9000

(Other General and Administrative expenses). The accounting for sales tax should be allocated equitably among the accounts applicable to the billed direct costs.

Sheet Reissued

PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS

Letter: 10 lasuance: June 22, 1990 Effective: June, 1990

Page: 14

Saction: 10

#### 9 REVENUES

RENT REVENUE

#### Accounting by the billing company when incurred:

9.0] Any direct and indirect costs incurred should be charged to the appropriate expense account. BellSouth's Accounting Policy Letter 300-01 documents accounting guidelines for use when leased property is used along with another party or used directly in performing work for another party.

#### Accounting by the billing company when billed:

- 9.02 Direct, indirect, and ancillary costs associated with rental are credited to Account 5240 (Rent Revenue) when billed by the billing company. However, sales tax should be classified as a credit to Account 4010, Accounts Payable. BellSouth's APL 300-01 includes guidelines to be followed when the property associated with the billing is leased.
- 9.03 The expense of maintaining and operating the rented property, including depreciation and insurance, shall be included in the appropriate operating expense accounts. Taxes applicable to the rented property shall be included by the owner of the rented property in the appropriate tax accounts.
- 9.04 When land or buildings are rented on an incidental basis for non-telecommunications use, the rental and expenses are booked to Account 7360 (Other Non-operating Income).

#### Accounting by billed company:

9.05 Generally, costs should be booked to the appropriate expense account under the Rents Expense Matrix Identifier (EMI). For example, pole rental expenses are charged to Account 6411 (Poles Expense), under the Rents EMI.

#### OTHER REVENUE

#### Accounting requirements:

9.06 Generally the accounting treatment for other revenues is handled in the same manner as rent. However, the billing company should credit the appropriate miscellaneous revenues account (as indicated below) when billing is rendered:

Type of Billing	Accoun
Corporate Operations	5250
Customer Operations	5262
Plant Operations	5263
Other Incidental Regulated	5264
Revenue	=

Sheet Reissued

PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS

Letter: 10
Letter: 10
Lesushon: June 22, 1990
Effective: June, 1990
Page: 16

#### 12 JOINT COST ORDER APPLICABILITY

#### Background

- On February 6, 1987, the Federal Communications Commission (FCC) released its Joint Cost Order in CC Docket No. 86-111. This order modified Part 64.901 (Allocation of Costs) and Part 32 (Uniform System of Accounts) to reflect its requirements. The Order primarily affects regulated carriers which also have resources dedicated to the provision of non-regulated activities. In the Order, the FCC adopted an attributable cost method of fully distributed costing, which requires that the BOCs assign or attribute costs to regulated or non-regulated activities. The Order also prescribes affiliated transaction requirements for regulated companies in dealing with non-regulated affiliates. The affiliated transaction requirements of this Order became effective September 6, 1987. All other requirements of the Order were effective as of January 1, 1988.
- The Order affects BOCs and non-regulated affiliates when assets are transferred to or from the BOCs or when services are provided to or received from these BOCs. Provisions of the Order apply to all the transactions mentioned above regardless of the affiliates business form (corporation, partnership, joint venture, etc.). The Order affects the amount of charges recorded into or out of regulation. The FCC does not govern non-regulated affiliates or non-regulated operations of the BOCs. However, the Order covers charges includable in the revenue requirements of the BOCs.

\* Text Changed

Principles for Miscellaneous Billing and Affiliated Transactions Section: 10 Letter: 10 Issuance: June 22, 1990 - . .... Effective: June, 1990

Page: 18

## 13.03 The FCC's affiliated transaction rules for assets are as follows:

# 13.0301 Assets Sold or Transferred To The BOCs From Non-Regulated Affiliates Or The Non-Regulated Operations Of The BOCs

- A. Shall be valued by the BOCs at the prevailing price (market rate) held out to the general public in the normal course of business as evidenced by actual sales to unaffiliated entities, or
- B. If the prevailing price is not applicable, such assets shall be valued by the BOC at the <u>lower</u> of net book cost or fair market value.

## 13.0302 Assets Sold To Or Transferred From The BOCs To Non-Regulated Affiliates Or The Non-Regulated Operations Of The BOCs

- A. Shall be valued by the BOCs at prices reflected in tariffs on file with a regulatory commission, or
- B. If no tariff rate is applicable, they shall be valued at the prevailing price (market rate) charged to the general public as evidenced by actual sales to unaffiliated entities, or
- C. If no tariff or prevailing price is applicable, the assets shall be valued by the BOCs at the <u>higher</u> of net book cost or fair market value.
- Tax valuation reserves (e.g., deferred taxes, investment tax credits) should not be considered in the calculation of net book cost. Also, the BellSouth Corporation Tax organization has ruled that deferred taxes and investment tax credits should not be transferred when assets are purchased or sold between regulated and non-regulated affiliates. If assets are transferred between regulated and non-regulated affiliates through an equity infusion, the associated taxes should be transferred.

# Text Added

NOTICE: Not for use or disclosure outside BellSouth except under written agreement

PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS .

Letter: 10 lesuance: June 22, 1990 - -Effective: June, 1990

Page: 30

B. If the services are not also provided to unaffiliated entities, the services shall be recorded by the telephone company at cost which shall be determined in a manner that complies with the fully distributed costing principles of Part 64.

## 13.0802 Services Provided From the Telephone Company to Non-Regulated Affiliates

- A. If services are provided pursuant to a tariff, the services shall be valued by the telephone company at the tariffed rate, or
- B. If the services provided are not covered by a tariff and those services are also provided to unaffiliated entities, the revenues derived shall be recorded by the telephone company at the market rate as evidenced by actual sales, or
- C. If the services provided are not covered by a tariff and those services are not also provided to unaffiliated entities, the revenues derived shall be recorded by the telephone company using the fully distributed costing principles of Part 64.

#### Services Provided From Non-Rezulated Affiliates to the Telephone Company

- 13.09 Essentially, the primary rule is that if the service received by the telephone company from the non-regulated affiliate is also provided by the affiliate to unaffiliated entities or persons, the amount recorded in the telephone company books must be based on the market price paid by the unaffiliated entities. The market price must be based on sales by the affiliate to unaffiliated entities and not on purchases of the same service by the telephone company from unaffiliated entities.
- 13.10 The residual rule states that if the services are not also provided to unaffiliated entities, the services should be recorded by the telephone company based upon the non-regulated affiliate applying the Part 64 cost allocation standards (i.e., fully distributed costing).

\* Text Changed

@ Paragraph Renumbered

PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS

Section: 10 Letter: 10 Lesuance: June 22, 1990

Effective: June, 1990 Page: 22

#### Affiliated Transaction Guidelines Application to BellSouth Services

13.13 The FCC has stated that BellSouth Services (BSS) is subject to the affiliated transaction rules. As a result, BSS is subject to the affiliated transaction rules when dealing with regulated affiliates (i.e., telephone companies) or non-regulated affiliates (e.g., BellSouth Enterprises). An exception to BSS following the affiliated transaction rules is possible only if none of the associated costs will ever be transferred into regulation. Any exception must have concurrence from the BSS Comptrollers - Joint Cost and Accounting Principles group.

#### Transactions Between BSS and the Telephone Companies

As stated above, transactions between BSS and the telephone companies are subject to the affiliated transactions rules. When the rules are applied to transactions between BSS and the telephone companies, BSS is treated as a non-regulated affiliate.

#### Asset Transfers Between BSS and the Telephone Companies

Asset transfers or sales between BSS and the telephone companies are subject to the affiliated transaction rules. Common examples of asset transfers include the transfer of furniture, computers, motor vehicles etc. between the two entities. In the absence of sales to unaffiliated entities, generally asset transfers from BSS to the telephone company should be booked at the lower of net book cost or fair market value. Generally, assets transferred to BSS from the telephone company should be valued at the higher of net book cost or fair market value. See Paragraph 13.03 for the specific rules for asset transfers.

#### Services Provided by Telephone Companies to BSS

The affiliated transactions rules for services are applicable to all services provided by the telephone companies to BSS. Services provided to BSS by the telephone companies include administrative services, asset usage, house services, etc. Generally, these services provided to BSS should be valued using fully distributed costing principles. See Paragraph 13.0802 for specific guidelines.

#### Services Provided to Telephone Companies by BSS

Services, products, and supplies provided to the telephone companies by BSS are also subject to the affiliated transaction guidelines. Such services include procurement functions, corporate support, information system services, marketing support, network planning etc. Predominately the services and supplies which are provided by BSS to the telephone companies are not provided to unaffiliated entities. In this case, fully distributed costing is the proper accounting treatment. If BSS provides a service to the telephone companies and provides that same service to a non-affiliated entity (on other than an incidental basis), that service should be billed to the telephone companies based on the market rate. See Paragraph 13.0801 for the specific guidelines.

# Text Added • Text Changed NOTICE: Not for ups or disclosure outside BellSouth except under written agreement

## PRINCIPLES FOR MISCELLANEOUS BILLING AND APPILIATED TRANSACTIONS

Sertion: 10 Letter: 10 Leuranes: June 23, 1990 Effective: June, 1990

Page: 24

- 14.03 If a tariff or market rate is not applicable for an asset transfer, the asset's fair market value, original cost, and accumulated depreciation should be determined. The telephone company Comptrollers organization should retain this information for all assets sold or transferred from the telephone companies to non-regulated affiliates.
- Assets purchased or transferred from a non-regulated affiliate to the telephone company must be recorded at the lower of their net book cost or fair market value, if a prevailing market price does not exist. If the asset's fair market value is lower than its net book cost, the asset must be "written down".

  Generally, this write down should be recorded by the non-regulated affiliate before the asset is sold to the telephone company. As a result, the asset's accumulated depreciation will be increased by the non-regulated affiliate for the amount of loss in value. The telephone company will then record the asset, including the depreciation adjustment made by the nonregulated affiliate.
- The transferring entity should determine the fair market value for assets purchased or transferred between regulated and non-regulated affiliates. The telephone company Comptrollers organization should assist in the fair market valuation of assets sold from the telephone company to non-regulated affiliates. If an appraisal is necessary, the appraisal should generally be performed by a nonaffiliated entity to ensure an independent valuation. The transferring entity will be responsible for the costs of determining the appropriate transfer price.

#### Services

All services, products, and supplies purchased or sold between the telephone companies and non-regulated affiliates must be recorded in the regulated accounts based upon the affiliated transaction rules. The telephone company Comptrollers organization is responsible for ensuring that all services are valued appropriately and all associated documentation is retained. When services are provided from a non-regulated affiliate to the telephone company, the non-regulated Comptrollers organization should notify the telephone company Comptrollers if a market rate exists. When services are provided from the telephone company to a non-regulated affiliate, the telephone company Comptrollers organization should determine if a tariff or market rate is applicable. The telephone company Headquarters Comptrollers organization should assist in determining if a tariff is applicable.

· Text Changed

@ Text Deleted

# Text Added

@ Paragraph Renumbered

PRINCIPLES FOR MISCELLANBOUS
BILLING AND AFFILIATED TRANSACTIONS

Letter: 10 lessance: June 22, 1990

Effective: June, 1990 Page: 26

#### 15. TRANSACTIONS BETWEEN AFFILIATED TELEPHONE COMPANIES

- 15.01 Transactions between affiliated telephone companies are not subject to the affiliated transactions rules as described in paragraph 14. Purchases, sales, and transfers of assets between affiliated telephone companies are accounted for as provided in Part 32 of the Uniform System of Accounts. Generally, these transactions should be recorded at net book cost.
- 15.02 The BellSouth Corporation Tax organization has stated that the Accounting Offices should not transfer deferred taxes and investment tax credits when assets are purchased or sold between affiliated telephone companies.

#### Purchase of Assets between Affiliated Telephone Companies

- All property, plant and equipment acquired from a regulated affiliate is accounted for at original cost. The accounting for property, plant, and equipment recorded at original cost is described in Accounts and SRCs, Section 2, Part A.
- The company shall submit to the FCC for consideration and approval copies of journal entries recording acquisition of telecommunications plant covered by this instruction when the consideration paid is \$1,000,000 or greater. The text of such entries shall give a complete description of the property acquired and the basis upon which the amounts of the entries have been determined.

#### Sale of Assets between Affiliated Telephone Companies

- The accounting for the sale of telecommunications plant between regulated affiliates is prescribed by Part 32. When depreciable operating telecommunications plant (excluding buildings in Account 2006, and also excluding land and artwork) is sold without traffic, the accumulated depreciation account shall be charged with the original cost of the property retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered. Any profit or loss on the sale of depreciable operating telecommunications plant is reflected in the salvage entry that is made to the depreciation reserve account, and is reflected in future calculation of depreciation rates.
  - 15.0501 In the unusual case when telecommunications plant is sold together with traffic, the original cost of the property should be credited to the applicable plant accounts, and the estimated accumulated depreciation and amortization shall be debited to the appropriate accumulated accounts. Any difference between the net amounts of such debit and credit items and the consideration received (less commissions and other sales expenses) should be included in Account 7350, Gains and Losses from Disposition of Certain Property.
  - 15.0502 The accounting for the sale of nonoperating plant should be handled as described in Accounts and SRCs, Section A. Part B.
- Text Changed 9 Text Deleted # Text Added
  NOTICE: Not for use or disclosure outside BellSouth

except under written agreement

258

@ Paragraph Renumbered

## CLASSIFICATION LETTER REGIONAL ACCOUNTING MATTERS

PRINCIPLES FOR MISCELLANEOUS
BILLING AND APPILIATED TRANSACTIONS

Section: 10 Letter: 10

Issuance: December, 1948

Effective: December, 1988
Exhibit A \*- --

Page: 1

## REPORT OF ASSETS TRANSFERRED/SOLD FROM (OR TO) \_\_\_\_ BELL TO (OR FROM) UNREGULATED AFFILIATES

		Unregulated Affiliate:				,
State:		For N	fonth Of:	-	Date Issued:_	•
Asset Description	Account	Total S	* Basis	Fair Market Value	Net Book	

\* Tariff, Market Rate, Net Book Cost, or Fair Market Value

#### NOTICE

Not for use or disclosure outside BellSouth or any of its subsidiaries except under written agreement

## CLASSIFICATION LETTER REGIONAL ACCOUNTING MATTERS

PRINCIPLES FOR MISCELLANEOUS
BILLING AND AFFILIATED TRANSACTIONS

Section: 10 Letter: 10

issuance: December, 1968 Effective: December, 1968

Page: 1

## REPORT OF SERVICES PROVIDED FROM (OR TO) \_\_\_\_ BELL TO (OR FROM) UNREGULATED AFFILIATES

	Unro	gulated Affiliate	•		٠	
State:	For Month Of:			Date Issued:	ssued:	
Service Description	Authority Number, Account Number	Monthly Billing	Year-To- Date-Billing	•• Basis for Billing		

\* (Tariff, Market Rate, or Fully Distributed Cost)

#### NOTICE

Not for use or discipline cutside BellSouth or any of its subsidiaries except under written agreement

SECTION: INDEX Issuance: 12/28/88

Page 1

# INDEX CLASSIFICATION LETTERS (C-Letters)

C-Letter Number	Title	Date Last Issued	Person Respon.	<u>Address</u>	Phone Number
0-00	Procedure For Issuance of C-Letters	04-01-88	Frank Dunn	20G67 SBC	404-529-8238
10-01	Principles Related to Pattern Accounts and Material Usage Codes	06-01-88	Cass Smith	20G67 SBC	404-529-6261 -
10-02	Procedures for the Handling of Purchase Credits	108-27-87	Cass Smith	20G67 SBC	404-529-6261
10-03	Accounting Concepts Part 64 Cost Allocation	04-01-88	Rick Klein	6th Floor HQ. Bldg.	205-321-1084
10-04	Accounting Requirements for Preparation of Monthly Report No. 21, Construction Expenditures and Retirements		Frank Dunn	20G67 SBC	404-529-8238
10-05	Billing for Shared Multifunction Network Facilities Under the Modified Final Judgment (MFJ)	10-15-87	Frank Dunn	20G67 SBC	404-529-8238
10-06	Overhead Concepts	11-16-87	Ross Martin	20G67 SBC	404-529-8221
10-07	Formulas for Computing Financial Ratios for BellSouth Regulated Subsidiary Using USOA	12-30-88	Darreil Cross	6th Floor HQ Bldg.	205-321-1789
10-08	Equal Access and Network Reconfiguration Accounting Plan	02-01-88	Frank Dunn	20G67 SBC	404-529-8238

PROPRIETARY INFORMATION

NOT FOR DISCLOSURE OUTSIDE OF THE BELLSOUTH ENTITIES

EXCEPT UNDER WRITTEN AGREEMENT

10-10-Index

SECTION: INDEX

Page 2

C-Letter Number	Title	Date Last <u>Issued</u>	Person Respon.	<u>'Address</u>	Phone Number
10-10	Priniciples for Miscellaneous Billing and Affiliated Transactions	12-28-88	Ross Martin	20G67 SBC	404-529-8221
10-11	Outlines of Procedures For Preparing Cash Working Capital (CWC) Lag Studies	88-10-60	Rick Klein	6th Floor HQ Bldg.	205-321-1084
11-01	Accounting Plan For 911 Customer Premise Equipment For Kentucky	04-01-88	Rick Klein	6th Floor HQ Bldg.	205-321-1084
11-02	Accounting Plan For BellSouth Voice Messaging	08-01-88	Dan Retter	20G67 SBC	404-529-2616
11-03	BellSouth Digital Network Channel Terminating Equipment Accounting Plan	07-01-88	Frank . Dunn	20G67 SBC	404-529-8238

# PROPRIETARY INFORMATION NOT FOR DISCLOSURE OUTSIDE OF THE BELLSOUTH ENTITIES EXCEPT UNDER WRITTEN AGREEMENT 10-10-Index

File Code 710.0400

February 28, 1991 Birmingham, Alabama

TO:

Officers of BellSouth Services, South Central Bell and Southern

Bell

FROM

Rebecca M. Dunn, Vice President - Corporate Affairs, BellSouth

Becan

Services

SUBJECT:

Implementation of Executive Directive No. 8 - Affiliate

Transactions

Executive Directive No. 8, which prescribes documentation and approval requirements for affiliate transactions, became effective December 31, 1990. My staff in Regional Accounting Matters is in the process of preparing more detailed procedures which will be issued as a Classification Letter within a few weeks. In the meantime, the interim guidelines attached may be used.

We are also preparing information to be directed to all associates, in the form of newsletter articles.

Questions regarding the guidelines should be directed to Selene Patterson at (205) 977-3234.

Attachment

The BSS or BOC organization proposing the transaction should communicate the proposal in writing at Vice President level to L. L. Schoolar, Vice President & Comptroller. The proposal should be forwarded directly to Selene Patterson, Segment Manager - Joint Cost and Accounting Principles, 3535 Colonnade Parkway - South ESC1, Birmingham. Items in the proposal should include:

- 1. A complete description of the proposed contract and/or transaction including identification of the purchasing affiliate, frequency, magnitude, basis for pricing, etc.
- 2. Rationale as to the financial and strategic importance to BellSouth of the transaction.
- 3. Identification of alternative sources of supply available to the purchaser, if any.
- 4. Provisions for compliance with FCC and state regulations noted above.

Within Comptrollers, the documentation will be reviewed initially by organizations responsible for Joint Cost Order compliance and Contract Administration requirements. Additionally, it will be reviewed by BSS Regulatory and Legal representatives.

There will also be a review of the proposal by BellSouth Enterprises and BellSouth Corporation. When all parties have approved the proposal, BSS Comptrollers will notify the initiating organization that the proposal may proceed.

GUIDELINES FOR IMPLEMENTATION IN SOUTH CENTRAL BELL, SOUTHERN BELL AND BELLSOUTH SERVICES OF BELLSOUTH EXECUTIVE DIRECTIVE NO. 8 REGARDING TRANSACTIONS WITH AFFILIATES

#### Background

Executive Directive No. 8, titled "Affiliate Transactions" (copy attached), defines review and approval requirements for new affiliated transactions having direct or indirect impact on regulated telephone companies. These requirements are intended to ensure compliance with Federal Communications Commissions (FCC) Rules, Section 32.27 and 64.901, as well as various state regulations regarding affiliate transactions. The review and approvals are to occur prior to implementation of the transactions or contracts.

#### Compliance Requirements

When <u>services</u> are performed for an affiliate, FCC Rules require that billing for the services be valued at:

- 1. Tariffed rates, if applicable (when the service is performed by a regulated company);
- 2. If a tariffed rate is not applicable, a <u>market rate</u>, based on substantial prior sales by the service provider to third parties;
- If neither a tariffed rate nor a market rate are applicable, fully distributed cost of providing the service.

When assets are transferred to a nonreg affiliate by BSS or a BOC the selling price is to be set at:

- 1. Market price, if the assets are commonly sold to third parties;
- If a market price does not apply, the <u>higher</u> of the net book value of the asset or its fair market value. NOTE: When a BOC sells assets to BSS, this rule sets the selling price, when market price does not apply.

When assets are purchased from a nonreg affiliate by BSS or a BOC the selling price is to be set at:

- 1. Market price, if the assets are commonly sold to third parties;
- 2. If a market price does not apply, the lower of the net book value of the asset or its fair market value. NOTE: When a BOC purchases assets from BSS, this rule sets the selling price, when market price does not apply.

#### The Process

In transactions with affiliates, the primary emphasis with respect to compliance is on the seller or provider of assets, materials or services.

Within BSS, the review process will deal with proposals from BSS organizations to provide assets, services or materials to other nonregulated affiliates, outside of the normal Authority Code process. Within the BOCs, the review process will deal with proposals from BOC organizations to provide assets, services or materials to nonregulated affiliates which fall outside of the normal intercompany Billing Authority process. Fixed asset transactions with book values of less than \$25,000 are not to be forwarded for review.

It should be noted that the frequent and routine provision of services and materials by BSS to South Central Bell and Southern Bell or vice versa is not included in this review process, since adequate controls are in place through the billing process and contract administration to ensure compliance on these transactions. Similarly, if the proposed provision of services is to be handled on an AC basis (BSS) or on a BA/RBA basis (BOC) with the nonregulated affiliate, review is not required.

The process begins with determining if the proposal fits the scope for review:

- o BSS or BOC is the seller
- o A nonregulated affiliate is the purchaser
- o The transaction is not to be billed at fully distributed cost through the AC process
- o The transaction is not one already covered under a contractual arrangement which has been reviewed for affiliated transactions compliance

-----

#### CONTRACTS AND CONTRACTORS

#### CONTENTS

		Page
1.	PURPOSE	1
2.	DEFINITIONS	2
3.	PORMAL CONTRACTS	3
4.	CONTRACT TERMS AND CONDITIONS	4
5.	BACKGROUND CHECKS AND FINANCIAL EVALUATIONS	6
6.	BIDDING, AVARD AND ADMINISTRATION	8
7.	APPROVAL AND REVIEW REQUIREMENTS	8
8.	DISTRIBUTION AND RETENTION	11
9.	LEASE REPORTING	12
	EXHIBITS	
	ETHID112	
A.	BELLSOUTH POLICY ON DEALINGS WITH CONTRACTORS AND SUPPLIERS	13
В.	RF-5303, NONDISCRIMINATION COMPLIANCE AGREEMENT	14
c.	RF-5303-A, NONDISCRIKINATION COMPLIANCE AGREEMENT/CONFLICT OF INTEREST	15
D.	FORM V-9, PAYER'S REQUEST FOR TAXPAYERS IDENTIFICATION NUMBER	16
E.	PROSPECTIVE CONTRACTOR/VENDOR QUESTIONNAIRE	18
P.	CONTRACT FACT SHEET	23
	. APPRIDICES	
۸.	MINORITI AND VOMEN'S BUSINESS ENTERPRISE PROGRAM	
В.	GUIDELINES FOR QUOTATION PROCEDURES	•

#### 1. PURPOSE

1.01 These Instructions define the policies regarding the preparation, award, approval and administration of contractual agreements with outside parties. It also provides basic guidelines on the selection and qualification requirements to be followed by the operating departments in securing goods and services from contractors and vendors.

clerks, typists). These types of contracts assist in running the day-to-day operations of the business.

- h. Master Contract An executory contract which provides an overall agreement outlining mutual obligations but which requires additional agreement or authorization to initiate specific transactions covered by the contract. To qualify as a master contract, the agreement must include either transaction unit prices or the basis for calculation of payment for individual transactions. The purpose of this contract is to provide specific conditions over a reasonable period of time for the conduct of transactions of an irregularly recurring nature or of varying magnitude.
- i. Capital Lease A lease which transfers substantially all the benefits and risks inherent in the ownership of the leased property to the lessee. To be considered a capital lease, a lease must meet the criteria established in Statement of Financial Standards No. 13, Accounting for Leases and Statement of Financial Standards No. 98 Accounting for Leases.
- j. Operating Lease All leases not meeting the definitions of a capital lease as defined in item (i) above.

#### 3. FORMAL CONTRACTS

- 3.01 The primary purpose of a vritten agreement is to protect the interests of contracting parties should subsequent litigation be necessary. To this end, each operating department is charged with the responsibility of obtaining formal contracts in all cases where the best interests of BellSouth will be served. For the purpose of this Instruction, a formal contract is defined as one which, in all its terms, is in writing.
- 3.02 BellSouth Headquarters has no centralized contract group responsible for overall coordination of contract negotiation, preparation and monitoring. Each of the operating departments, in conjunction with the Legal department, is responsible for identifying contractual obligations and determining the need for formal agreement pursuant to the requirements of this Instruction.
- 3.03 An agreement with BellSouth Services is in place which allows for the use of their centralized contract group. There is no obligation to use this organization unless the department so chooses. BellSouth Services contract group is available to discuss vendor selection requirements, as well as recommend and assist in vendor selection. They will also coordinate contract negotiations and prepare formal agreements, if needed. The Beadquarters departments will, however, be responsible for securing necessary approval and concurrence signatures, for notifying Security where background checks are warranted and for fulfilling document distribution and retention requirements.
- 3.04 Basic Requirements: As a minimum, written agreements are required for the following types of contracts. Transactions with outside legal counsel are excluded from these requirements.
  - a. All contracts for the purchase of tangible goods and the services associated with the furnishing of those goods, where the total net cost

- A.02 Vendor Relations: Purchases of goods and services involve an area particularly vulnerable to charges of favoritism and undue influence. Each continuing supplier of goods or services and each contractor, with whom BellSouth does business, should be provided with the position statement, "BellSouth Corporation Policy on Dealing with Contractors and Vendors", as depicted in Exhibit A. This policy covers business gifts, entertainment and other matters involving contractor relations with BellSouth employees. It is the responsibility of the department negotiating the contract to ensure that prior to the execution of all goods and services contracts, the supplier provides a signed statement listing the names of BellSouth employees who hold ownership or beneficial interest in the income of the contracting firm; or certifying to the fact that there are none. This requirement will not be necessary if the contractor is a corporation whose securities are publicly traded.
- 4.03 In addition, unless Legal Department approval is obtained, it shall be mandatory that all goods and services contracts contain the Nondiscrimination Compliance Agreement, Form RF-5303, as depicted in Exhibit B or the Nondiscrimination Compliance Agreement/Conflict of Interest, Form RF-5303-A, provided in Exhibit C.
- 4.04 Minority and Vomen's Business Enterprises: In all contracts or purchasing arrangements, it is the policy of BellSouth to afford qualified minority enterprises the opportunity to serve as required in Executive Order 11625 and Part 1-1, Chapter 1 of Title 41 of the Code of Federal Relations. Qualified available minority enterprises should be considered for all quotation offerings. Unsuccessful attempts to identify or utilize minority firms must be documented. Appendix A contains specific requirements in this regard.
- 4.05 Personal services and employer-employee relationships: The determination of whether a particular subordinate is an employee or an independent contractor depends on the issue of control along with various other factors. If the superior has hired the subordinate merely to achieve a result and has left decisions regarding the method and manner of achievement up to the subordinate, the latter is probably an independent contractor. On the other hand, if the superior actually controls or has the right to control the method and manner of achieving the result, then the subordinate might be considered an employee.
- 4.06 The delineation, however, is not always easy. The most important question is whether the superior controls or has the right to control the method and manner of doing the work. Where the matter of control is not so obvious, other factors must be taken into account.
  - Is the subordinate engaged in a distinct occupation or business?
  - Is the type of work customarily performed by employees and do persons in the locality generally regard those doing such work as employees?
  - What skills are required in this particular occupation?
  - Which party supplies the equipment and place of work for performing the task?

Page 7 ~ -

- 5.02 Security background checks will not be necessary when the contractor is a corporation or wholly-owned subsidiary of a corporation whose securities are traded on a national or regional stock exchange or regularly reported in the over-the-counter quotations in the financial press. Also, a background check will not be necessary if one has been made within the last three years, provided:
  - a. the ownership, officers, etc. have not changed during that period, and
  - b. there is no other known factors that should be considered in making a decision to award a contract.
- 5.03 Where a background check is varranted, the contracting department must furnish the prospective bidder or consultant a copy of the questionnaire shown in Exhibit E. The completed questionnaire should then be forwarded to BellSouth Security with a request for background investigation. The Security organization is responsible for completing background checks within 90 days following receipt of the departmental request. Background checks which are not required by this Instruction will be performed when specifically requested at Authority Level 60.
- 5.04 The background check may be conducted prior to, or coincidental with, the awarding of the contract as best suits individual departmental needs. Results of background checks will be reported to the requesting department at Authority Level 60. All results of background investigations are considered proprietary information and are not to be disseminated to the contracting firm or to any employee who does not have a "need to know".
- 5.05 There may be occasions where business circumstances necessitate the award and approval of a contract prior to receipt of the completed background check. Such contracts may be awarded, after the background check has been requested, provided the contract contains a clause which allows BellSouth to terminate the contract, with or without cause, and which will release BellSouth from any liability or further performance, should BellSouth decide that such action is in its best interest.
- 5.06 Under certain conditions, the operating department may feel that a background check is inappropriate. A formal valver is allowed if authorized at Authority Level 65. Any decision to formally valve a required background check must be fully documented by the operating department, with suitable records maintained with the department's and Comptrollers' copies of the related agreement.
- 5.07 The Corporation could be exposed to considerable losses when large contracts involve unstable companies. Therefore, an evaluation of the financial condition of the contracting firm should be made regardless of whether or not these companies are publicly traded. It is the responsibility of the department entering into the contract to request the Assistant Treasurer Corporate Finance to conduct a formal financial evaluation. The evaluation should include such checks to ensure the contracting company is in a financial position to complete the contract. It is also the responsibility of the negotiating department to request from the contracting party the data required by the Assistant Treasurer to complete the evaluation.

AUTHORITY LEVEL	PURCEASE ORDERS	PORMAL CONTRACTS
40	S 500	S 1.000
45	2,000	4.000
50	10.000	20,000
1 55	20.000	40,000
60	1 50.000	100,000
65	50,000	1,000,000
70	50,000	5,000,000
. 75	50,000	Unlimited
80	50.000	Unlimited

- 7.03 The above approval limitations apply to the total expenditures over the life of the contract. For contracts that are cancelable at the option of BellSouth, the limitations apply to 12 months estimated expenditures at the rate specified in the contract, plus other costs such as cancellation costs. The approval limitations are also subject to the following restrictions.
  - a. The provisions of the contract should be restricted to the administrative areas of responsibility of the approving authority.
  - b. The primary term of the contract should be specified to not exceed one year and not be automatically renewable, unless approved at Authority Level 65 or above, and further:
  - c. An Authority Level 65 manager may execute contracts with primary periods of more than one year subject to the monetary limits specified above, provided the total commitment of the primary and reneval option periods, do not exceed five years.
- 7.04 If the total amount payable under the terms of the contract is not specified but rather, payments are to be based on a rate per hour, per item, or some other measure (e.g., master contract), the contract must be approved at Authority Level 65, unless lover approval can be supported based on a written estimate of payments over a 12 month period. Where this provision is invoked, a copy of the written estimate must be appended to all copies of the contract distributed within BellSouth. If at any time during the term of the commitment it is determined that the contract is under-approved, it should be brought to the attention of the approving authority and steps taken by those responsible to provide written explanation and a revised estimate for the term of commitment (or 12 month period). The revised estimate should be approved as provided in Paragraph 7.02. A copy of the approved revised estimate should be distributed to all holders of the contract within BellSouth, to be appended to their copy of the contract.
- 7.05 Large contracts are not to be divided into several smaller contracts in order to circumvent the minimums established for formal bidding procedures, approval and review requirements, background checks and financial evaluations.
- 7.06 <u>Legal Review:</u> Formal contracts must be reviewed by the Legal Department as to form. Likewise, amendments and changes to existing contracts must be similarly reviewed. Legal review should be secured prior to execution

- 7.12 If all requirements are met, a unique contract number vill be assigned to each formal agreement for monitoring purposes. The contract number vill consist of the first three digits of the responsibility code of the approving authority, followed by the last two digits of the year in which the contract was approved plus a sequential assignment for each new contract signed that year. For example, if the first contract approved in 1989 was within the Comptrollers Department, then its contract number will be "H13-89-1". Formal notification of the assigned contract number will be provided from Comptrollers to the operating department for use in processing contract payments.
- 7.13 Corporate Services and Project Billing Agreements: As specified in Executive Instructions No. 1, BellSouth Headquarters performs certain functions for its subsidiaries. The costs of providing these services will be assigned to the subsidiaries based on measures of use and in accordance with cost allocation agreements negotiated with the subsidiaries, subject to the provisions of Executive Instructions No. 10. All cost allocation agreements and any amendments thereto, must be approved by the Vice Chairman on behalf of BellSouth.
- 7.14 Affiliated Transactions: Transactions between the BellSouth Corporation and its subsidiaries and affiliates must comply with the requirements of the Federal Communications Commission's Joint Cost Order. Any new affiliated transactions having direct or indirect impact on regulated telephone company expenses or investments must be submitted prior to their implementation for approval by the BellSouth Vice President Comptroller, BellSouth Enterprises Vice President Finance, BellSouth Services Vice President Corporate Affairs or their designated representatives. (Note: For ongoing transactions occurring subject to a contractual relationship between entities, this approval refers only to the contract and not to the individual transactions which may take place under the contract.)
- 7.141 Specific documentation requirements for the review and approval process will vary by type of transaction/contract proposed, but should include as a minimum:
  - complete description of proposed contract and/or transaction(s) including frequency, magnitude, pricing methodology, etc.
  - 2. discussion of financial and strategic importance to BellSouth.
  - evaluation of alternative sources of supply, if any, and
  - 4. demonstration of compliance with FCC and state PSC regulations a. referenced above.
- 7.142 Additional documentation may be submitted or requested if circumstances varrant. When products or services are provided to a regulated entity, the providing entity must be prepared to produce, on demand, for inspection by the appropriate regulatory authorities, the documents necessary to substantiate the market price or the reasonableness of its costs.
- 7.15 Supplemental Approval: Supplemental approval vill be required for any substantive change in the terms of an agreement or in the event that total

Accounting Services for each new, renewed, modified and canceled lease or sublease with a noncancelable term of one year or more and a minimum rental commitment over the life of the lease of 510,000. Such reporting is required regardless of cancellation clauses included in the lease agreement. It is the responsibility of the operating department executing the lease to prepare and forward the Form RF-5225, together with a copy of the associated lease, before lease payments begin. BellSouth Administrative Procedure No. 002-002-001, Lease Reporting, contains appropriate instructions for the preparation and submission of Forms RF-5225.

9.02 Certain leases including leases with a term of one year or longer must be reviewed by Treasury, Legal, Tax and Industrial Relations prior to contract approval. See paragraph 7, Approval and Review Requirements for details.

(Reference Paragraph 4.02)

Page 13

#### BELLSOUTE CORPORATION POLICY ON DEALING WITH CONTRACTORS AND VENDORS

#### Position Statement

BellSouth Corporation and its affiliated companies (hereinafter "BellSouth") do business with thousands of contractors and vendors. It is a fundamental policy of BellSouth that such dealings shall be conducted on a fair and non-discriminatory basis, free from improper influences, so all participating contractors and vendors may be considered on the basis of the quality and overall cost of their product or service.

BellSouth's policy is to seek out and obtain technically suitable products and services at the lowest overall cost. Accordingly, BellSouth vill not recognize any oral agreement. Any conversations with BellSouth's employees or representatives shall not be construed to imply a commitment or obligation on behalf of BellSouth. Any information disclosed or made known to BellSouth shall be deemed as public and nonproprietary. Information shall not be received in confidence, unless a prior written agreement authorizing such exchange of information has been executed by an authorized representative of BellSouth.

BellSouth is committed to doing business with contractors and vendors in an atmosphere in keeping with the highest standards of business ethics. Therefore, it is BellSouth's policy that our employees shall not accept from customers; vendors of property, goods, or services; or from other persons any gifts, benefits, or unusual hospitality that may in any way tend to influence or have the appearance of influencing them in the performance of their jobs.

Those employees of BellSouth authorized to make purchases or negotiate contracts are aware of this policy and your cooperation is solicited in order to forestall any embarrassing situations.

I have read and acknowledge the foregoing:

Name		
	(Signature)	
Name		
· · · · · · · · · · · · · · · · · · ·	(Printed)	
Title		
Corporate Affiliation		
Date		

(Reference Paragraph 4.03)

Page I3-

-

#### Non Discrimination Compliance Agreement/Conflict Of Interest

East Order No. 11246 East Order No. 11625, Sertem 8 of the Small Shatters Act as entertaked Restand Revealations and Requisiony Reterm Act of 1976, East Order No. 11701 East Order No. 11726 East Order No. 12126, Section 503 of the Rehasbaston Act of 1973 as attended by PLS-3-516. Vernam East Vernam a Readoutment American Act of 1974 and the families of the Company of Labor procuration and restroyer Orders of the Samelary of Labor procurancy on the Company of Labor procurancy on the Company of Samelar stand above.

For constants of or which approprie to \$2,500 or more groundy, the following this despites the course oracle pre-trained to the context.

- 1. Indicate of the Equal Employment about to all community and crisis.
- 2. Certification of non-expressed fundament.
- Consisten that an alternative astern program has been developed and a large followed.
- 4 Continues that an annual Employees Information Report (EED-1 Secretary Form 160) is turny telligrand.
- Indicate of the "Utdomer of Menoric and Women's Business Emer-prise" displays in all company and orders
- 6. Instanto of the "Honorty and Wassen's Business Enterpress" plants to all temporal and entern
- 7. Incharm of the "Larry of Employment Openings" clears in all constants
- 8 Industrial of the "Engineering of the Handagogood" about to all con-train and orders.

\$2,900 to \$10,000 \$10,000 to \$50,000 or many \$1,2,5,4,1,5,6,7,8

\* Applies only for busydans with \$0 or store employees

#### 1 Equal Employment Opportunity Pro-

In accompanies with East. Order No. 11246 dood Separating 24, 3046 and Pon 60-1 of Tate 41 of the easter of Federal Registeries Public Contracts and Property Management. Office of Federal Contract Companies of Contracts of Subsection and Subsectionships. In they be amended from their in time, the parties receipting ferrow by the solvente the opposite of contracts doubt measured by these growment to be study a part of Contracts doubts received by these growments to be study a part of Contracts doubts received by these growments to be study a part of Contracts doubts received by these growments to be study a part of Contracts doubts received by these growments to be study a part of Contracts doubts received by these growments.

#### 2 Continues of Non-Engagement Feature

The Convenier services that it does not and will not manage any faults provides for its employees in a suprogrand manage, or person its complex to person that arrests or any location under the control where suprogrammer or management and there is will other a constant constitution for the court of day demonstrates profite court of day demonstrates profite court of day demonstrates administrate.

#### 3. Carthagen of Albracens Agent Program.

The Communications that it has directional and its manuscrap on allo-mature option plan as required by Part 60-2 of Tate 41 of the Golds of Feature Regulators.

#### 4 Continues of Phry of Employees Information Reports

The Continuous option to the processly, on as before the 31st day of March, company and according research from 100 EEO-11 or again forms on any to processors in the place.

#### S. Utherson of History and Wester's Sustain Entry to the

(a) It is the pates of the Government and the Company, as a Government additionar, that serverty and restorms business attacking that have the transferred production appearance; to perform to the policyment of

B) The Congress agrees in our its test about to convocat the palety in the count of its abstractive to the follow course assignative outs the efficient property of the context. As east in the demand the test in the context, the start is the context the test in the demand property of testing in the context of patients of which is context by memory or remain group deprison or it along a patient, and the same of which is context by memory or company or the definition memory or company party thresholds. For purposes of the definitions memory by or company or American Racets. Hopeones. Assets. Public blankers: American believes and American Racets. Contractive they are on orders representation by advantaged on regarding their datas as they are ordered in a party of the datasets of the meloparation in the context is become.

#### are and Warren's Business Enterprises Substitutionary Program

- fal. The Controller agrees to establish and conduct a program which and employ removing and control is becomes consequent to defend on paragraph \$ above to be consistented below to automorphism and supplies which the employer in the consequence, the Consequence shall:
  - (1) Despree a base offer the off advancer the Community and demand bases ordered program.
  - ② Provide extension and finish commissions of the passessions of lawest research and commit human strangens in all "make-or-ling" designers.
  - (3) Assure that become assurely and waters is business empropriate will have an equation appearancy in compare for uniquiplicals: per-finally by arranging entertainess. One for the properties of business during the action of the desired approximate an extension of actions of the periodical of districts and determiness of business are compared to periodical or of districts are periodically of districts of contracts.
  - Martists remain charactery III presentations which have been adopted to comply with the pointers set forth in the character project of controls of a course let of therety and controls it is about the control of course in the course of a course in the course of the course in the course of the course of the course of course of the course
  - Si Industr the Utilization of Mineray and Westeria Suprema Si prior observe a subservious which often subservious memory contents bearing empirical automorphism apparaments
  - Compares with the Government's Comparing Ollier in any medius and amount of the Contract is discovery and economic business orientees presidents and premises that the Government's Contract Classific Table from time to the amount of Chicago Chicago Table from time to time amount.
  - (7) Substat particle reports of automotoping to brown manufact and common to the county section of the county section of the county section of the substantiage of the county to each farm and deproop and as such that the manufact of the deprecation of the Commonte of Congressing Colors they presented.

Si The Consumer harbor opens to reget, in one adoptives highwarder which may exceed \$400,000 for in the case of WEE \$1,000,000 in the case of contacts for the consumers of any public lately and which other actionment adoptives and understanding promisions of any built public solution actionment adoptives and property of the Approximent, residently the deposition for any or the largest of the Approximent, residently the property of the Approximent, residently the property of the Approximent.

#### 7. Lift of Englishment Courtogs for Venture

commitmen with East. Order 19701, desert Jamesry 24, 1973, and Part 520 of Title 41 of the Carlor of Festival Regulators, as 8 they for control of the title to their, the parties transporter tensor by the extension the parties to the parties to the parties of George control or the parties of George control of the parties of the

In commission with East. Order 11776, death demony 15, 1974, and Part 65-741 of Tab 41 of the Casts of Partiest Reputation in any in commission from the street of the partiest superior between the street of the partiest superior between the death of the partiest of the partiest superior by the partiest of the parties

Company advantages that I has assessed the Company is "Confer of busines" consistent and further offenders as other as employed of the Company has businest and further advantages as other as employed of the Company has businest the Agreement with the Company again Agreement again, endeatheration, as "displacement mentions are of an advantagement effectives." Commander agrees in the event of an advantage of authorities agrees to the event of an advantage of authorities. But discussed and accounts the advantage of the advantage o

275

Lett first and copy the raths of the parameters and copy to the same of the parameters and the same to the sa

Clause 's extent expensy numbers

\* Show the number of the expensy.

\* Life that and exists the number of the legal built,
collette, or germain that

facts: If an expensy or suspensy when there as many
from over expensy the expensy of the facts of the expensy of expensy
from the expensy the expensive state of the expensive of the
fact that of the first against examine.

### Form W-9. Paper's Request for Taxpayer Identification Number. (cour'd)

See 4 See 12-27: **→ ?** (4) A suize for Demot of Casandes, a Sandards of the United States, or any good Sandards or regulated Market, thereof. Community for Falleting intermedian, marketing personal participants or committees may be used you to consider participating finds and produce intermediants. What Name and Number To Give the Requester (5) A tangen geografiere er a pastegal blemann, agovey er oppromensynt flumed. (6) An engraphens ergenesteen er pry oney er engromensynt flumen. For this type of Give the same and SOCIAL SECURITY RUMBER ST: Specific Instructions Special track and the second s 1. Introduct (7) A target sprace tark of sauce 2. Too or more morrowers (as account) The actual owner of the account or, if combined funds, the feel end-relusi on the (R) A design of program or estimated as Su U.S (B) A fallow, generation marchest regulated in the Community Fallotts Trading Community. (10) A new cases originately tradition. 2. Custosten account of a forter (United Gift to Manage Act) The manual way the Cortil (12) An entity regressive of all times during the ten year under the investment Contesty Act of 1940 (12)4 n trust fund appropriate by a bank 100 \$64(a) 4. a. The usual The granter-toutier (13) A founce outline. revenue trust (grander a sino brustee) (15) A majoration (projection).

(14) A majoration (project on the original or the original origin b. So-collect trust account that a little trust or und trust under state law The actual aways (15) A tryal outrings from the winder earlie 864 or described in section 4947 Payments of disablends and patricings alonds generally not because to become modeling also recises the telepring S. Sale proprietory The compri the exhibition of pay seps.

(4) Other Paymonts, ... You are required to breach your correct. The but you are not required to breach your correct. The but you have separate to dep the confidence of the Cotter paymonts section to an expense Title Getter paymonts, section paymonts are because for require, appendix for the control to the control to the confidence of the paymonts for the control to a particular than the confidence of the confid gent and variables to the first poet to a better to state to the first side that you to Eire the same so EMPLOYER DENTIFICATION For this type of e Payments of patronage devotorely and good on manay Legal entry (Do not furnish the iden-trication number of the personal & A valid trust, different fruit to business a contact the photonic in e Perments of interest on songments asked by the menduon. More, You they be subject to because antineasing if this interest in \$500 or may one in good in the Courte of the payer's timbe or burneys and other than one provided your agreet Tak to the the paragraphic of the paragraphic o test: crow manager.

(5) Mortgage Interest Paid by You, Asquisition or Assessment of Secured Property, or ISA.
Commissionals: —You are required to furnish pour garnet? Tel., Bul you are not required to age.

The confrictation. property of the controls extend (subjectly ) 7. Corporate The emperation the contribution

(6) Ecompt Paymes and Payments, —If you are compel from becture universiting you enduce compel from the form to your general processes because interested from the form to your general Tell in Part 1, orner (ESE 64PT' or the page in Part 1, orner the form if you are a members, payment of the form of the contribution, payment of the form if you are a normalized compelling on the form the f 8. Association, disk, respirate, character, educational, or other ten-exempt organization The expension o Poymonts doctribud in seption \$005(b)(5) to navigadore distrib e Paymonts on tourings constaint bands unde parties 1451. مريده دو موجد جيميسيني ه · Markey courses and by you 8. Partrarthy The partners Poyners that are not subject to information majoriting are also not subject to become uniforming for around see services 6001. 600114(2) 5042, 6044 6055 6099 60500, and 605011, and the requestions under such sessions. 10. A broker or registered reference The broker or Department of Agriculture in the demarks of a the 22. Assessed with the The subic every **Penalties** Fathers To Formath TBI,—If you had to harman your correct TBI to a requester, you are submit a private of \$50 for each such thouse property thought in fact to reasonable school and all to STATE OF STATES OFFICE OF STATES OFFICE OF STATES generality of grade) that grade) that Sam telement Successions to

Stage 716,472 vans

Over frontry to Father Industriation With Respect to Withdrawing —If you repay a later their more not represent bases that results on the arrestment of beauty artificiating, you are their to a parently of \$5500

277

278

. ..... ansaids the BellSouth

EXELBIT F

July	1989		
		PATAGEABA	6.011

Page 23

#### CONTRACT FACT SHRET

			CONTRACT NUMBE	R
VENDOR	<u> </u>	DEP		
ADDRESS		CON	ract	
	···	ADD	RESS	
CONTRACT TER	MS (if applicable	e)		
BEGIN DATE		MIXAH	UH AHOUNT	
END DATE				
BRIEF DESCRI	PTION OF OBLIGAT	IONS		
	<u> </u>			
<del></del>				
				<u> </u>
<del></del>				
PREPARED BY			DATE:	
TELEPHONE				
*********				
	PAYHENT DATE	PAYMENT AHOUNT	CUHULATIVE AHOUNT	,
				•
				<u> </u>

(Reference Paragraph 4.04)

Page 1 --

#### MINORITY AND VOMEN'S BUSINESS ENTERPRISE PROGRAM

- The BellSouth Headquarters Minority and Vomen's Business Enterprise (M/VBE) Program has been established to ensure compliance with Federal Regulations as contained in Executive Order 11625, 12138, 12432, 12426, and Public Lav 95-507. It is policy of BellSouth, consistent with our other equal employment responsibilities and as a government contractor, to provide that maximum practicable opportunity be given to minority and vomen's business enterprises and to sheltered workshops to participate as suppliers and contractors to our company. Their participation in our business reflects our commitment as a corporate citizen to support the economic development of the community and the nation.
- The basic objective of the Minority and Vomen's Business Enterprise Program (M/VBE) is to provide the opportunity for minority and women owned businesses and sheltered workshops to compete for company contracts or furnish goods and services to our company.
- To accomplish this objective, the following related objectives have been established:
  - To actively and diligently seek out minority and women vendors and sheltered workshops having the capability of supplying those goods and services necessary for the company's varied operations;
  - Ъ. To identify those service areas for which minority and women vendors and sheltered workshops have the potential of becoming a supply source;
  - c. To utilize minority and women vendors and sheltered workshops to the fullest extent possible.
- Although our commitment is to utilize minority and vomen enterprises and sheltered workshops to the fullest extent possible, a goal will be set each year by the Vice Chairman to enable us to measure our progress in the M/VBE Program and to demonstrate our commitment to the Program. Results of the utilization of M/VBE and sheltered workshops are carefully monitored against these objectives, and our progress toward these goals is noted quarterly.

#### DEFINITIONS

- 2.01 For the purpose of these instructions, the following definitions are provided:
- Minority/Vomen Vendor -- Defined as a supplier or contractor whose --- · a. business is owned, controlled and operated by minority or women group members.
  - Operate Defined as exercising the power to make policy decisions ь. affecting the operations of the business.

280

Reference Paragraph 6.01)

Page 1

APPENDIE B

#### GUIDELINES FOR BIDDING PROCEDURES

- 1.01 It is the policy of BellSouth Headquarters to obtain goods and services at the lowest possible cost, consistent with quality, dependability and good business practice. To this end, goods and services required, where quantities and types needed are such as to be reasonably subject to bid treatment, should be obtained through competitive bidding procedures.
- 1.02 In those cases where the approving authority decides against application of bidding procedures or the lowest bid is not accepted in the avard of a contract, a brief statement of the reasons for these decisions, signed by the approving authority, must be attached to the copy of the final contract sent to Comptrollers.
- 1.03 Where bidding procedures are employed in the award of contracts, the following guidelines should be followed. These quidelines are those generally followed in the business community. For individual contracts over \$25,000 total cost or continuing contracts for periods over one (1) year, these practices should be applied as a minimum. For contracts of lesser amount or time, provisions other than those provided in 1.04.a.-1.04.f., 1.05.b. and 1.07 below, may be modified to eliminate unnecessary formality.
- 1.04 Requests for bid should:
  - a. be sent to a minimum of three qualified contractors or suppliers, insofar as feasible to do so.
  - b. specify the manner of submitting bids (e.g., sealed envelope),
  - c. have instructions stating how to mark bid reply envelopes or have appropriately marked return envelopes included in the bid request,
  - d. specify the final day that bids will be accepted, if different from the date of opening,
  - e. specify the date, time and place of bid opening, and
  - f. provide the name and address of the employee to whom the bid should be delivered or mailed.
- 1.05 Bids receipt must be handled in accordance with the following minimum safeguards.
  - a. Each bid received must be assigned a bid number (vritten on the outside of the mailing envelope) and logged (time and date of receipt) in an appropriate bound record book or properly documented in a permanent project file. Retention of the mailing envelopes in the permanent project file shall be sufficient if each one is noted by a management employee with the date and time of receipt.
  - b. All bids must be stored unopened in a locked compartment prior to the time of opening.

281

SECTION 2

-APPROVAL LETTER-

Executive Instructions No. 2, Section 2, Contracts-Award and Approval, Paragraph 9.0, Lease Reporting, has been revised to reflect a change in the form which should now be used to report new, renewed, renegotiated, extended, amended or modified lease date. Form RF-5225, and to add a reference to Administrative Procedures No. 002-002-001, Lease Reporting, which contains instructions for the preparation and submission of this form. This revision coincides with the installation of Lease 13, a new lease data maintenance system which will be operated by the various Accounting Services organizations.

Recommended:

Comptrollers Manager

Concurre

Assispant Comptroller

Date: 418181

Approved:\_\_\_\_/

Comptroller

282

Filing Instructions:

Remove the following:

Insert the attached:

E.I. No. 2, Sect. 2

Pages 4 and 5

Pages 4 and 5

## CONTRACTS - AWARD AND APPROVAL

	CONTENTS	PAG
1.	GENERAL	1
	CONTRACTS AND AGREEMENTS - GENTERAL	
	CONTRACTS BETWEEN THE BELLSOUTH CORPORATION AND BELLSOUTH SERVICES INCORPORATED	-
4	CORPORATION FOR ADMINISTRATION OF BELLSOUTH CORPORATION STOCK	
\$	CONTRACTS SETWEEN SELLSOUTE ADVERTISING & PUBLISHING CORPORATION AND SELLSOUTE CORPORATION	2
<b>6</b>	CONTRACTS FOR THE SELLING (BY OUTSIDE VENDORS) OF ADVERTISING IN, PRINTING, PUBLISHING AND/OR DISTRIBUTING DIRECTORIES FOR BELLSOUTE ADVERTISING & PUBLISHING CORPORATION (BAPCE)	3
7.	AGREDIENT BETWEEN BELLSOUTH CORPORATION AND ITS SUBSIDIARIES FOR GENERAL AND SPECIFIC PROJECT BILLINGS	3
L	OTHER APPROVAL REQUIREMENTS	3
9.	LEASE REPORTING	. 4
. a	TENTERAL	
. 01	Contracts and agreements shall be executed for and in the name of BellSouth Corporation provided in the following paragraphs. Execution shall be in the manner described and w	od as vill be

### 1. CONTRACTS AND AGREDICATE - GENERAL

2.01 Decisions as to who should execute certain contracts and agreements may require review of the contract through the lines of organization. However, listed below are minimum approval requirements for most contracts:

subject to general policy considerations provided in Section 1 of E.1. No. 2

HOTICE
HOT WAS ST STATEMENT SUPPLIED THE
SOLISAMEN CORP. STREET WHOSE WHITEN AGRESSMENT

Prestag to LL S. A.



EXECUTIVE INSTRUCTIONS NO. 2 SECTION 2 DECEMBER, 190

Employee is line of Organization To Be Signed By

Total Amount Payable For Term of Commitment

Vice Chairman of the Board BellSouth Officer (Vice President Level) Department Head (Pay Grade 7 & 8) (U7. U5 & U6) Operations/Segment Hanager (Pay Grade 6 & 7) (U9)

Exceeding \$100.000 \*
Not Exceeding \$100.000
Not Exceeding \$ 15.000
Not Exceeding \$ 5.000

\* Logal Department contracts exceeding \$100,000 may be approved by the Vice President and General Counsel.

The above approval scholule shall be based on total expenditures over the life of the contract. On contracts that are cancellable at the option of BellSouth, the approval requirements shall be based on 12 months estimated expenditures at the rate specified in the contract, plus other costs, such as cancellation costs. The approval schoolie shall also be subject to the restrictions covered in paragraph 4. Administration of Computer Based Mechanization Projects shall be in accordance with the BellSouth Corporation agreement with BellSouth Services Incorporates and in compliance with appropriate Executive Instructions covering such administration.

- 2.03 Any contract which requires payment of interest, involves sale of assets with lesse back provisions, or involves lesses with a term of one year or longer must be reviewed and approved by the SellSouth Tressery Department.
- 2.03 All leases of a term of one year or longer must be supported by an economic lesse vs. purchase energy is.
- 3. CONTRACTS SETWEEN THE SELLSOUTE CORPORATION AND SELLSOUTH SERVICES INCORPORATED
- 3. 01 BellSouth Services Incorporated will provide systems and support type services (such as building, transportation, corporate communications and document reproduction services) to BellSouth-Hendquarters (BellSouth-HQ) under a contractual arrangement. BellSouth Services Incorporated also will provide the interface between the Central Staff Organization (CSO) and BellSouth-HQ under contractual arrangement with the CSO. The contract between BellSouth-HQ and BellSouth Services incorporated shell be approved by the Vice Chairman of the Board.
- 4. CONTRACTS BETWEEN AMERICAN TRANSFECH. INC. AND THE BELLSOUTH CORPORATION FOR ADMINISTRATION OF BELLSOUTH CORPORATION STOCK
- 4.01 American Transform, Inc. will, under contractual arrangement, be the stock transfer and dividend agent for the BellSouth Corporation. Negotiation of this contract is a responsibility of the Vice President-Finance, with contract approval by the Vice Chairman of the Sourt.
- S. CONTRACTS BETWEEN FELLSOUTH ADVERTISING & PUBLISHING CORPORATION AND BELLSOUTE CORPORATION
- 4.01 The SellSouth Advertising & Publishing Corporation contracts with RellSouth-HQ for various accounting, treasury, legal and accumunatefactive services. This contract will be approved by the Vice Chairman of the Source.

PROPRIETARY

THE INFORMATION CONTAINED HEREIN WAS PROVIDED UNDER PROTECTIVE AGREEMENT AND SHOULD NOT BE DISCLOSED TO PERSONS WHO DID NOT SIGN THE PROTECTIVE AGREEMENT

Total Amount Payable

- 4. Contracts for the selling (by outside vendors) of advertising in. Printing, publishing and/or distributing directories for sellsouth advertising 4 publishing corporation (bapco)
- 6.01 Approval levels to be used by directory employees coincident to the swarding of contracts for the selling (by outside vendors) of severtising in. printing. Publishing and/or distributing directories are as follows:

. . . . 4

To Se Signed By	for Term of Countment	
Sourt of Sirectors - SAPCO President - SAPCO	Over Not Esceeding	\$100.000

Department Head (Pay Grade 7 & 8) (U7, U6 & U5) Not Exceeding \$ 15.000 Operations/Segment Manager (Pay Grade 6 & 7) (U9) Not Exceeding \$ 5.000

(See paragraph & for additional requirements)

Employee in Line of Organization

- 7. AGREEMENT BETWEEN BELLSOUTE CORPORATION AND ITS SUBSIDIARIES FOR GENERAL AND SPECIFIC PROJECT BILLINGS
- 7.01 As specified in E. I. No. 1 BellSouth-HQ will perform the following functions for its subsidiaries:
  - Allowate resources among subsidiaries based on plans, profit potential and performance.
  - Provide equity expital for each subsidiary and coordinate the sale of Jobs.
  - Provide strategic planning including, but not limited to, analysis of competitive markets, identification of exatomer needs, dissemination of new torseology and financial planning and analysis.
  - Ensure organizational effectiveness through strategic decisions as to subsidiary product/service miz.
  - Provide breed corporate direction such as policy development, objective setting, advice, counsel and appointment of management; but, give the subcidiaries appropriate independence to conduct their operations effectively.
  - Provide support services such as legal, personnel, public relations/public
    affairs, internal audit, economic analysis, and general accounting functions.

The costs of providing these services will be allocated to subsidiaries in accordance with a cost allocation agreement between SellSouth Corporation and it subsidiaries. (See E. I. No. 10. Project Sillings and General Cost Allocations). The agreement detailing these functions will be approved by the View Chairman of the Scare.

- L OTHER APPROVAL REQUIREMENTS
- \$.01 The approval senerale provides in paragraphs 2 and 6 above shall be based on total expenditures ever the life of the contract. On contracts that are cancellable at the option of the Corporation, the approval requirements shall be based on 12 months estimated expenditures at the

PROPRIETARY

APRIL, 1987

rate specified in the contract, plus other costs, such as cancellation costs. The approval schedule shall also be subject to the following restrictions.

- (a) The provisions of the contract or agreement shall be restricted to the administrative areas of responsibility of the approving authority.
- (b) The primary term of the contract or agreement shall be specified to not exceed one year and not be automatically renewable, unless approved at the RellSouth Vice President level, or above, in which event the approval shall then be subject to the following restrictions:
  - (1) The primary term shall not exceed one year with not more than one renewal uption of one year.
  - (2) The primary term shall not exceed one year with automatic renewal after the initial primary period on a continuing basis, until cancelled at the option of BellSouth-HQ generally with 30 days or 60 days notice.
  - (3) The primary term is not specified, but the contract or agreement may be cancelled at the option of BellSouth-HQ with 60 days or less notice.
- (c) A Vice President (BellSouth Officer) may execute contracts with primary periods of more than one year subject to the monetary limits specified above, and provided the total commitment of the primary and renewal option periods, if any, does not exceed five years.

If the total amount payable under the terms of the commitment (or 12 month period) is not specified but payments are to be made by BellSouth-HQ based on a rate per hour, per item, or some other measure, the contract or agreement shall be approved by a Vice President (BellSouth Officer) unless lower approval can be supported based on a written estimate of payments, as well as the terms and options of the contract. Such estimate shall be approved by management in the line of organization required to execute the contract (copies of which shall be appended to all copies of the contract distributed within BellSouth-HQ). If at any time during the term of the contract it should be determined by those concerned that the contract or agreement is under-approved (including those contracts approved by a BellSouth Officer as outlined above) it should be brought to the attention of the approving authority and steps taken by those responsible to provide written explanation and a revised estimate of payments for the term of commitment (or 12 month period), which shall be approved by the then appropriate approving authority. A copy of the duly approved revised estimate of payments shall be distributed to all holders of the contract within BellSouth-HQ, to be appended to their copy of the contract.

- 8.02 Unless otherwise specifically provided, limitations placed on the term of a contract in Paragraph 8.01 refers to the primary period and does not prohibit provision of one or more renewal option periods, any one of which does not exceed the limitation placed on the primary period.
- \$103 Should there be question as so who should execute a document not specifically referred to herein or in other instructions, the matter should be referred through lines of organization for decision.

#### 9. LEASE REPORTING

THE INTORNATION CONTAINED MEREIN WAS
PROVIDED UNDER PROTECTIVE AGREEMENT
AND SHOULD NOT BE DISCLOSED TO
PERSONS WHO DID NOT SIGN THE
PROTECTIVE AGREEMENT

9.01 Because leases are contracts and in order to comply with requirements of the Securities and Exchange Commission and the Financial Accounting Standards Board, certain lease information must be reported to the BellSouth Corporate Books organization. Therefore, a Form RF-5225, Summary of

Capitalized Lease Details, must be completed and forwarded to the lease coordinator in your company's Corporate Books organization for each new, renewed, modified and cancelled lease or sublease with a noncancellable term of one year or more and a minimum rental commitment over the life of the lease of \$10,000. Such reporting is required regardless of cancellation clauses included in the lease. It is the responsibility of the department or organization having jurisdiction for obtaining execution of the lease to prepare and forward the Form RF-5225, together with a copy of the associated lease, to the Corporate Books organization before lease payments begin. BellSouth Administrative Procedures No. 002-002-001, Lease Reporting, contains appropriate instructions for the preparation and submission of Form RF-5225.

#### PROPRIETARY

287

\* Text Changed

THE INFORMATION CONTAINED ERREIN WAS
PROVIDED UNDER PROTECTIVE AGREEMENT
AND SHOULD NOT BE DISCLOSED TO
PERSONS WHO DID NOT SIGN THE
PROTECTIVE AGREEMENT

Page 5

BELLSOUTH

Item No. 6-01 Attachment VI

subject: Accounting Policy Letter

Type: Strong Recommendation

Dete: March 28, 1989

Distribution Liets: Attached

Tolated Letters: Accounting Policy letter 610-01

711-

other: N/A

T+: Vice President and Comptroller - Southern Bell and South Central Bell Assistant Vice President and Comptroller - BellSouth Enterprises Comptroller - BellSouth Services

Entities: BSC, SB, SCB, BSE, BSS

From: Vice President and Comptroller - BellSouth Corporation

Description: Transmits Accounting Policy Letter (APL) 660-01 documenting BellSouth's policy for Accounting for Overhead Costs.

Attached is Accounting Policy Letter 660-01, Accounting for Overhead Costs, which provides guidance on the development of overhead rates for BellSouth and its subsidiaries. The scope of this APL covers (1) the general conceptual guidelines for computing and applying overhead rates, (2) the Joint Cost Order's impact on overhead rate development, and (3) definitions of key terms used in the APL.

Questions by your staff regarding this APL should be directed to Ken Hory at (404) 249-3026 or Pat Hajor at (404) 249-2477.

Patrick E. Casey

Vice President and Comptroller

Attachment

# Distribution List

#### BellSouth Corporation

- A. G. Yokley, Vice President and Treasurer
- C. W. Shevbridge, III, Assistant Vice President-Taxes
- V. E. Jarvis, Assistant Vice President-Chief Corporate Auditor
- .G. L. Walton, Director-Operations
- G. H. Cassity, Director-Financial Management
- J. H. Bostinsky, Assistant Comptroller
- E. A. Grayson, Assistant Comptroller
- V. V. Camp, Corporate Hanager-Hethods and Hechanization
- M. L. Volf, Corporate Manager-Taxes
- K. M. Coletti, Corporate Hanager-Taxes
- R. H. Proehl, Corporate Manager-Taxes
- G. T. Rhodus, Corporate Hanager-Taxes
- J. S. Thomas, Operations Manager
- L. E. Glover, Operations Manager
- A. F. Zoeller, Operations Manager
- K. J. Hory, Operations Manager
- G. S. Griffin, Operations Manager
- N. S. Gardner, Operations Manager
- G. J. Grace, Accounting Vitness
- A. D. Gasiorek, Assistant Treasurer-Corporate Finance
- J. R. Monk, General Security Manager
- J. V. Johnson, Operations Manager
- R. E. Stravn, Operations Manager
- K. R. Bishop, Operations Manager
- D. T. Bush, Operations Manager
- J. L. Reese, Director-Corporate Taxes
- B. D. Copping, Director-Corporate Taxes
- C. M. Brasfield, Director-Corporate Taxes
- L. V. Hunt, Corporate Manager-Taxes
- J. R. Robinson, Corporate Manager-Taxes
- L. N. Barvey, Corporate Manager-Taxes
- J. T. Flanagan, Corporate Manager-Taxes
- S. L. Creel, Corporate Manager-Taxes
- P. H. Cook, Corporate Hanager-Taxes
- V. B. Marshall, Director-Consolidated Financial Management
- A. H. Shepherd, Corporate Manager-Taxes
- L. S. Spainhour, Operations Manager-Financial Management
- B. K. Tolbert, Operations Manager-Financial Management
- R. H. Bagley, Operations Manager-Risk Management
- V. B. Barfield, General Attorney
- M. R. Sutherland, General Attorney
- J. E. Simpson, Treasurer
- S. H. Kirkemier, Director-Investor Relations

## BellSouth Services

- E. V. Parish, Assistant Vice President-Separations
- C. L. Villiams, Assistant Vice President-Financial Systems
- E. B. Ivey, Assistant Vice President-Information System Services Operations

- V. I. Black, Assistant Vice President-Financial Systems
- E. C. Skinner, Assistant Vice President-Information System Services
- A. L. Villiams, Assistant Vice President-Information System Services
- P. E. Villiamson, Assistant Vice President-Information System Services
- R. L. Allen, AVP-Information System Services-Corporate
- C. D. Beech, Operations Hanager-Corporate Accounting
- D. L. Smith, Operations Manager-Regional Accounting Matters
- G. R. Ferguson, Operations Manager-Accounting Services
- V. F. Holladay, Segment Manager-Accounting Classifications
- T. E. Govins, Segment Manager-USOAR
- F. E. Dennis, Segment Hanager-Accounting Support and Research
- L. W. Bray, Operations Manager-Financial Systems
- E. G. Garrick, Operations Hanager-Financial Systems
- M. H. Chase, Operations Manager-Financial Systems
- J. G. Farris, Segment Manager-Financial Systems
- R. V. Hayhev, Operations Manager-Financial Systems
- T. L. Seaton, Operations Manager-Financial Systems
- N. F. Skinner, Segment Hanager-Regulatory
- S. D. Mitchell, Operations Manager
- R. P. Klein, Segment Hanager

## South Central Bell

- R. L. Barder, Assistant Vice President, Operations, Plans and Performance
- C. J. Lathram, Assistant Comptroller
- G. L. Cochran, Chief Accountant
- R. J. Hovell, Operations Manager-Corporate Matters
- D. B. Parker, Operations Manager-Corporate Matters
- O. R. Villis, Operations Hanager-Regulatory Matters
- R. L. Campbell, Operations Manager-Taxes
- S. G. Patterson, Operations Manager-Regulatory
- T. S. Sims, Operations Manager-Taxes
- L. P. Tatom, General Internal Auditor
- V. A. Hillard, Operations Manager-Internal Auditing
- V. P. Hannigan, Operations Manager-Internal Auditing
- C. H. Miller, Operations Manager-Comptrollers Results

#### Southern Bell

- J. G. Butler, Assistant Comptroller
- F. V. King, Operations Manager-Corporate Matters
- V. S. Reid, Operations Hanager-Regulatory Matters
- H. A. Paisant, Segment Manager-Regulatory Matters
- J. E. Fletcher, Segment Manager and Comptrollers Contract Admin.
- E. B. Killingsvorth, Segment Manager-Regulatory Matters
- H. R. Sullivan, Segment Manager-Regulatory Matters
- M. N. Kokoska, Operations Manager-Comptrollers
- B. Easterling, General Internal Auditor

#### BellSouth Enterprises

- T. S. Parsons, Operations Manager-Corporate Accounting
- R. V. McArthur, Treasurer
- R. K. Schultz, Operations Manager
- J. D. Smiley, Operations Manager-Finance Accounting M&P
- B. E. Shults, Operations Manager-Financial Management
- J. Del Bagno, Operations Manager
- J. H. Fox, Operations Manager
- R. E. Starks, Operations Hanager
- B. E. Mansell, Director-Regulatory Affairs

# BellSouth D. C.

M. P. Talbot, Director-Federal Regulatory

# Coopers & Lybrand

Robert King

BellSouth Corpora on Corporate Accounting Matters Division Accounting Policy Letter -Overheads

APL 660-01 1 of 17 Issuance: 03/28/89 Effective: 01/01/89

SUBJECT: Accounting for Overhead Costs STATUS: Nev Issue Which Supersedes A-12 ORIGINATOR: Kenneth J. Hory (404) 249-3026 CONTACT: Patricia S. Hajor (404) 249-2477

Recommended:

Patricia S. Major

Staff Manager

Concurred:

Kenneth J. Mory Operations Manager

Concurred:

Assistant Comptroller

Patrick H. Casey

Vice President and Comptroller

APL 660-01 Page 2 of 17 Issuance: 03/28/89 Effective: 01/01/89

# Accounting for Overhead Costs

# TABLE OF CONTENTS

SECTION		PAG1
ı.	INTRODUCTION AND PURPOSE	3
II.	SCOPE	4
III.	JOINT COST ORDER	4
	A. Summary of JCO Costing Principles B. The JCO's Impact on Overheads	5 6
IV.	OVERHEAD COSTS DEFINED	7
v.	OVERHEAD ALLOCATION HETHODOLOGIES	8
VI.	CONCEPTUAL GUIDELINES FOR OVERHEAD RATE DEVELOPMENT	10
	A. Overhead Cost Pools B. Allocation Bases C. Special Cases	10 12 14
VII.	ACCOUNTING REQUIREMENTS	15
	ATTACHMENT I - COST APPORTIONMENT PROCEDURES AND PRINCE CHART	PLES
	ATTACUSENT II DEFINITIONS	

BellSouth Corpor. on Corporate Accounting Matters Division Accounting Policy Letter -Overheads APL 660-01 Page 3 of 17 Issuance: 03/28/89 Effective: 01/01/89

# ACCOUNTING FOR OVERHEAD COSTS

## I. INTRODUCTION AND PURPOSE

Overhead costs are costs that cannot be directly identified with a final cost objective. However, the production of goods and the provision of services would be impossible without the incurrence of such costs. Since these costs cannot be specifically linked to a product or service, overhead costs must be allocated to the product or service in order to determine their full cost. To accomplish this allocation process, overhead rates are developed and used. Overhead rates also provide us with the means to estimate the cost of the product or service prior to the accumulation of their actual costs, which in turn, allows us to bill for these products or services at the time that they are provided. In developing overhead rates, BellSouth's policy has been historically affected by regulatory accounting requirements. The FCC's Joint Cost Report and Order in CC Docket 86-111 (JCO), effective in January 1988, has significantly impacted the cost accounting and, therefore, the overhead requirements of BellSouth.

BellSouth Corporation (BSC) and its subsidiaries engage in transactions with affiliates and outside parties for which there is no tariff or prevailing market price. In accordance with section 64.901 of the FCC's Rules and Regulations (as amended by the JCO), when no tariff or prevailing market price exists, billings must be based on cost. When billings (including, billings to affiliates) are based on cost, all of the costs attributable to such billings should be determined and accumulated through use of cost reporting and cost allocation processes of the company performing the work involved. Costs billable in such cases include direct costs, overhead (or indirect) costs and ancillary charges.

The purpose of this Accounting Policy Letter (APL) is to provide general guidance to all BellSouth entities for the development and application of overhead loading rates. Specifically, this APL provides the rules that must be adhered to when billings are rendered by a BellSouth entity on a non-tariffed basis or when no prevailing market price exists. These rates are used in connection with billing to regulated and nonregulated affiliates, billing nonregulated activities which do not involve joint or common use of resources under the provision of the Joint Cost Order (Parts 64 and 32 as amended), billing for custom work, plant relocation associated with Federal-Aid highway projects, damaged telephone plant, and other miscellaneous billing situations.

APL 660-01 Page 4 of 17 Issuance: 03/28/89 Effective: 01/01/89

# ACCOUNTING FOR OVERHEAD COSTS

## II. SCOPE

Section III of this APL vill discuss overheads in light of the Joint Cost Order (JCO). A definition and conceptual discussion of overheads can be found in section IV. Section V vill address the different cost accounting overhead allocation methodologies available, as well as the strengths and veaknesses inherent in each methodology. Section VI provides the conceptual guidance for developing overhead rates. This discussion vill address the overheads we are allocating as well as allocation bases. Finally, the accounting requirements that must be adhered to are outlined in section VII. Attachment I contains the Cost Apportionment Procedures and Principles chart and Attachment II contains the Glossary.

This APL vill not address accounting for direct costs and ancillary charges. Guidance for these can be found in (APL) 300-01, Accounting For Hiscellaneous Billings To Affiliates and Nonaffiliates for Work Performed Incident or Peripheral to the Company's Regulated Telecommunications Activities, BSE Part 64 Compliance Documentation and the BellSouth Corporation Corporate Functions Cost Allocations Policy Guide.

## III. JOINT COST ORDER

Systematic and rational segregation of costs is necessary to ensure that the proper costs of doing business are reflected in the accounting records for each regulated and nonregulated activity. This provides management with the necessary information to make informed economic decisions concerning present and future operations.

Effective January 1988, accounting safeguards were established by the FCC to require the regulated and nonregulated activities of the Corporation maintain a clear-cut separation of costs. These accounting safeguards replaced structural separation. One of the key accounting safeguards established was a prescribed method for allocating our business costs. These new cost allocation safeguards, including affiliated transaction rules, significantly changed the cost accounting requirements for BellSouth and its subsidiaries.

The joint costing rules and affiliated transactions standards were established by the FCC to prevent cross-subsidization and to allow the participation by ratepayers in the economies of scale and scope that are

Betica

APL 660-01 Page 5 of 17 Issuance: 03/28/89 Effective: 01/01/89

## ACCOUNTING FOR OVERHEAD COSTS

achieved through the integration of nonregulated activities into the regulated activities. The Joint Cost Order, therefore, affects both regulated carriers and nonregulated affiliates when assets are transferred to or from regulated operations, when services are provided to or received from these same operations, or when resources are used jointly by both operations. Since the BOCs use joint resources in providing regulated and nonregulated services; and since BSC, BSS and certain BSE entities provide services to the regulated subsidiaries, the costing principles contained in the JCO must be adhered to when cost based billings are performed.

# A. Summary of JCO Costing Principles

The Joint Cost Order adopts the "attributable cost method of fully distributing costs". This methodology is based on the principle of cost-causation which requires that overhead costs be allocated in proportion to the costs that can be assigned and attributed to a service. The concept of "cost-causation" means that the cost of a function or service must be borne by the activity or entity that directly or indirectly causes the cost to be incurred, and not by that which derives benefit from the incurrence of the costs.

APLs 610-01, Joint Cost Allocation and 620-01, Affiliated Transactions With Regulated Entities, provide the guidelines for the proper application of the joint cost and affiliated transaction rules. In summary, costs should be aggregated into homogeneous cost pools and assigned to regulated and nonregulated activities using the following costing principles in the order listed below:

- Costs shall be <u>directly assigned</u> (DAS) to individual services to the maximum extent possible. Costs that are directly assignable are those that are 100% dedicated to either a regulated or a nonregulated activity.
- 2. Costs which cannot be directly assigned to individual activities are to be <u>directly attributed</u> (DAT) to those activities based on the direct analysis of the origin of the costs themselves.
- 3. When direct attribution is not possible, the costs shall be indirectly attributed (IAT) based on a cost-causative linkage to other costs for which a direct assignment or attribution is available.

APL 660-01 Page 6 of 17 Issuance: 03/28/89 Effective: 01/01/89

#### ACCOUNTING FOR OVERHEAD COSTS

4. When neither direct nor indirect measures of cost-causation exist, the costs shall be allocated based on the FCC prescribed general allocator. These costs are unattributable (UAT).

The costing principles prescribed by the FCC are required to be used in apportioning the costs between regulated and nonregulated activities and entities. Vithin the regulated or nonregulated arena, however, these same costing concepts can be used to allocate costs to specific products or services.

A particular costing principle has meaning only as it relates to a specific cost objective (i.e., account, cost pool, regulated or nonregulated activity or product). As we move to higher levels of aggregation (i.e., from account to cost pool to regulated or nonregulated activity to product or service) the costing principle used to apportion the same costs can change. A cost may be directly assignable if the cost objective is an activity, but the same cost may be directly attributable if the cost objective is a line of business (LOB). Further, if we move to the product or service level the same cost may become unattributable.

Attachment I further illustrates the behavior of the costing principles. Each time that we move to a higher level of aggregation, the costing principles that we are limited to is the costing principle originally used plus all other principles below that one in the hierarchy of costing principles. In other words, if we assigned costs from a cost pool to a regulated activity by indirect attribution, the only costing principles that we can use to assign the same costs to an LOB (the next level of aggregation) is indirect attribution or the general allocator. Since direct assignment and direct attribution are above indirect attribution on the costing principles hierarchy, these are not choices that are available to us. If we did not have a strong enough cost-causative linkage to directly link the cost to a regulated or nonregulated activity, then it is only logical to conclude that we could not have a strong enough cost-causative linkage to link the cost to a particular LOB or product.

#### The JCO's Impact on Overheads

The types of costs that are typically considered overhead costs are the management, financial and other expenses of an organization which are incurred for the general management and administration of a line of business, a segment of a business, or a business as a whole. These are costs that are not directly identified with a single final cost objective,

BellSouth Corpors n
Corporate Accounting Matters Division
Accounting Policy Letter Overheads

APL 660-01 Page 7 of 17 Issuance: 03/28/89 Effective: 01/01/89

#### ACCOUNTING FOR OVERHEAD COSTS

but are identified with two or more final cost objectives. Host of these types of costs are generally grouped together in a company's chart of accounts (i.e., Corporate Operations Expense for regulated companies; General and Administration expenses for nonregulated companies).

Although the JCO has not changed the types of costs we consider to be overhead costs, it has required us to examine the contents of accounts that are typically regarded as overhead accounts so that the amounts recorded in these accounts can be linked as closely as possible to the activities that caused their incurrence. The result of this more detailed analysis of overhead costs has resulted, in some cases, in reclassifying costs which have been previously allocated to all products and services, to pools which will only be allocated to either regulated or nonregulated products or services, to specific LOBs, or to specific groups of regulated or nonregulated products.

## IV. OVERHEAD COSTS DEFINED

For BellSouth, direct costs and overhead costs must be defined in terms of the costing principles discussed above. Direct costs are those costs that are directly assignable or directly attributable at a product or service level. These costs have an observable physical identification with the product that is explicitly measured in terms of the quantity of the input used. No intervening basis for allocation is necessary. The cost of an engineer working on only one product, or the materials used to produce that product are direct costs (DAS on a product or service level). The costs of employees working on several different products that keep time reports detailing how much time is spent on each product is also an example of a direct cost (DAT on a product or service level).

Overhead costs are those costs that are indirectly attributable or unattributable on a product level. The overheads that are indirectly attributable to a product are those for which there is a cost-causative linkage with two or more of the products or services. Although these types of overheads can be linked with specific products, the exact amount of the costs associated with each product is not known, so a surrogate basis for allocation must be used to assign the costs to the products or services that cause their incurrence. Of course, the surrogate must fluctuate with the overhead costs and we must have the ability to directly measure it. The fact that we must use a surrogate to get the cost to the product level and that we must estimate the amount of the cost that is attributed to the

298

Botice

BellSouth Corporation
Corporate Account. Hatters Division
Accounting Policy Letter Overheads

APL 660-01 Page 8 of 17 Issuance: 03/28/89 Effective: 01/01/89

## ACCOUNTING FOR OVERHEAD COSTS

product is how an indirectly attributable overhead can be distinguished from a direct cost.

Overheads that are unattributable on a product or service level are those for which no cost-causative linkage can be found and are therefore generally considered to benefit all operations of an entity. These types of overheads must be allocated to all products based on a systematic and rational methodology. An example of this type of overhead is the executive and his staff who is responsible for the general operations of the corporation. Conversely, executive direction - regulated activities is an example of an indirectly attributable overhead when viewed from a general operation perspective.

Overhead expenses do not include the costs of staff support or management functions which can be readily identified with a specific final cost objective being supported or managed, regardless of where these functions are performed or accounted for within the organizational structure of the company. Only staff management, supervisory or policy functions which are not identifiable with a specific final cost objective are properly includable as overhead expenses. The above discussion demonstrates that the account, departmental or functional location of a cost does not determine whether that cost is an overhead cost nor does it determine what type of overhead cost it is. The determinant factor is the cost-causative nature of the cost.

# V. OVERHEAD ALLOCATION METHODOLOGIES

Basically, there are three methods available for allocating overhead costs. The methods are listed below with a brief description of the methodology and the strengths and weaknesses associated with using each methodology.

Direct method - This method reallocates each service department's total cost (a service department being one that is not directly related to the product being sold) directly to the producing departments. The direct method, therefore, ignores any service rendered by one service department to another. Of the three methods that are discussed, the direct method is the easiest to apply. This method vill distort results, however, when a

299

Betice

APL 660-01 Page 9 of 17 Issuance: 03/28/89 Effective: 01/01/89

# ACCOUNTING FOR OVERHEAD COSTS

particular service department does not service all departments or when service departments do not service the producing departments and the other service departments equally.

Step-down or sequential allocation method - This method offers a
compromise between recognizing and not recognizing what service
departments do for each other. This method is more complicated
because a sequence for the reallocations must be chosen.

The sequence that is typically recommended when using this method is to begin with the service department that renders service to the greatest number of other service departments. The next department in the sequence (which now has a piece of the first department's cost in it) is then allocated to the remaining departments. This sequence is continued until all service departments have been allocated to the last service department. The remaining service department is then allocated to the producing departments. Once a department's costs have been allocated, that department is removed from the allocation sequence.

Although this is a more refined method of allocation than the direct approach, it has one major veakness. That is, each department is eliminated from further assignment of costs after its costs have been allocated although that department might receive benefit from other departments. (Southern and South Central have traditionally used a modified version of this approach.)

3. Reciprocal or Matrix method - This method fully recognizes the support that service departments perform for each other. A determination must be made with respect to what percentage each service department is used by the other service departments and the producing departments. Additionally, we must determine what percentage of service is received from the other service departments. This is the most complicated allocation methodology and requires the use of simultaneous equations or matrix or linear algebra.

If reciprocal services between service departments are significant, the reciprocal methodology should be considered. If reciprocal services between service departments are minimal, the step method and the reciprocal method will yield similar results.

300

Betice

BellSouth Corpora in Corporate Account. \_ Hatters Division Accounting Policy Letter - Overheads

APL 660-01 Page 10 of 17 Issuance: 03/28/89 Effective: 01/01/89

## ACCOUNTING FOR OVERHEAD COSTS

If services between service departments is minimal and each department is benefited approximately the same by all other departments, all of the methods discussed vill yield similar results.

(See section VII, accounting requirements, for the allocation methodology recommended for BellSouth.)

## VI. CONCEPTUAL GUIDELINES FOR OVERHEAD RATE DEVELOPMENT

In determining the amount of overhead that should be allocated to the final cost objective, use is made of an overhead rate. This rate is a percentage which expresses a ratio of overhead costs to a corresponding allocation base. The numerator represents the total overhead costs that will be allocated and the denominator represents the total amount (labor dollars, labor hours, number of employees etc.) of the allocation base that will be used. This rate forms a relationship between what is being billed out as direct cost and the overheads that we want to allocate. Consequently, with each direct dollar billed, a certain amount of overhead is attached to it. Below is a more detailed discussion of each step of the allocation process.

The process of cost allocation can be broken down into three basic steps:

- 1. Choosing the cost objective (cost pool, product, LOB, etc.).
- 2. Choosing and accumulating the costs that relate to the cost objective.
- 3. Choosing an allocation base which will link 1 with 2.

Once we have chosen the cost objective and accumulated the costs that relate to that cost objective, all costs billed as direct costs as well as any other costs that we have determined will remain in the company must be removed to arrive at total overhead costs to be allocated to the chosen cost objective.

# A. Overhead Cost Pools

After all costs to be allocated have been accumulated, the costs must be grouped into homogeneous cost pools (for regulated companies these pools can, but need not be, the same as the BSC CAH cost pools). Costs can be pooled in a number of different ways. They can be pooled by departments, by natural categories (i.e., people related, materials-related, property-

BellSouth Corporation Corporate Accounting Matters Division Accounting Policy Letter -Overheads

APL 660-01 Page 11 of 17 Issuance: 03/28/89 Effective: 01/01/89

# ACCOUNTING FOR OVERHEAD COSTS

related, etc.) or they can be pooled by behavior patterns (i.e., variable or fixed). Subsequent allocations are then made of the cost pools rather than the individual costs which comprise the pool. Instead of taking detailed costs in their most elemental form, and individually deciding how they should be allocated, they are aggregated and one base is selected for allocating the group.

A cost pool is considered homogeneous if each significant activity whose costs are included has the same or a similar causal relationship to the cost objectives as the other activities whose costs are included in the cost pool (i.e., employer contributions to social security, insurance, savings and health plans, etc. can be grouped together because they all have the same causal relationship to the final cost objective - the product or service. Haintenance expense, however, would not be homogeneous to this group). A cost pool is also considered homogeneous if the allocation of the cost pool is not materially different from the allocation that would result if the cost of the activities were allocated separately (e.g., if labor hours and machine hours are used in proportionate amounts to produce a product, cost pools for costs that are machine oriented can be combined with cost pools that are labor oriented since allocating these costs separately will yield the same results as allocating them together).

We should note that just as the costing principles that are used to apportion costs to the appropriate cost objective might change if the cost objective changes, so can the content of the cost pools and the content of the allocation bases. For example, in Southern and South Central the accounts in Corporate Operations Expenses are comprised of numerous cost pools with allocation bases that were chosen because these bases were determined to be the best indicator of how much of a particular joint cost was regulated and how much was unregulated. However, many of these cost pools are unattributable on a product level and therefore can all be grouped together and allocated to all products using the same allocation bases. For example, executive direction - corporate operations, executive direction regulated activities, and accounting services - general are located in two different accounts, and are all allocated to regulated and nonregulated activities using different allocation bases as well as different costing principles, however, these are all unattributable costs on the product or service level and could all be aggregated into one cost pool and allocated to the product or service using the same allocation base.

The above example demonstrates that the cost pools and allocation bases that are used to apportion our costs between regulated and nonregulated activities are not necessarily appropriate for allocating those costs to a

302

Hotico

BellSouth Corporat:
Corporate Accounting Matters Division
Accounting Policy Letter Overheads

APL 660-01 Page 12 of 17 Issuance: 03/28/89 Effective: 01/01/89

#### ACCOUNTING FOR OVERHEAD COSTS

product or a service. Once costs for SB and SCB have gone through the Cost Separation System, we must look at regulated and nonregulated costs on a company wide basis and choose cost pools on a cost-causitive basis for allocating the overhead costs based on the products and services whose costs we are attempting to accumulate.

# B. Allocation Bases

Once the overhead costs have been grouped into homogeneous cost pools, the final step is to allocate these cost pools to the product or service. This necessitates choosing an allocation base. The allocation base is important because it is the key means for linking total overhead costs or cost pools with cost objectives.

The required criterion for choosing an allocation base is a cause-and-effect relationship. In other words, the existence of the cost objective should be the dominant factor in causing the incurrence of the costs in question. There are two decisions that must be made with respect to choosing an allocation base. The first one is the type and number of bases to use and the second one is the activity level of those bases.

With respect to the types of allocation bases, some of the more common allocation bases that are used are labor hours, labor dollars, machine hours, direct material usage, weight or size. It is a common business practice to use total expenses of the organization as a base for allocating administrative types of expenses. In determining which type of base to use. it is important to remember that the cost pool and the allocation base must be related to each other, and both must be identified with the product or service being costed. If we are accumulating costs for a repair service and we want to allocate fringe benefit costs, materials used would not be an appropriate allocation base since materials have no relationship to fringe costs, nor are materials necessarily identified with providing repair services. Another example of a base that is not identified with the product being costed is the use of an allocation base consisting only of direct dollars relating to services that are performed exclusively for affiliates in an attempt to allocate overheads to all of the products and services provided.

Additionally, it is important to choose a base that will fluctuate with the overhead costs that are being allocated. For example, whether to use number of employees or payroll dollars depends on whether the amount that we are allocating will more likely fluctuate because it is people-oriented (i.e., human resource costs) or because it is payroll oriented (i.e., fringe benefit costs).

303

Potice

APL 660-01 Page 13 of 17 Issuance: 03/28/89 Effective: 01/01/89

#### ACCOUNTING FOR OVERHEAD COSTS

The more pools and allocation bases used, the more accurately the product will be costed. The fever used, the less accurately the product will be costed. The number of bases should be chosen after considering:

- 1. factors associated with the individual products or services.
- 2. necessary costs and effort in application, and
- 3. material differences in final results. (Note: Caution must be exercised with respect to amounts impacting regulated operations since GAAP materiality thresholds are considered too broad for such purposes.)

Where results do not differ significantly, the easiest method available and the least number of pools and allocation bases should be used.

Activity level of the allocation base, must also be addressed. The activity level of the allocation base relates to the time period over which we will allocate overhead costs to the product for billing purposes. Cost accountants commonly recognize two levels of capacity utilization - the normal activity versus the annual activity.

The normal activity approach to overheads recognizes the fact that some overheads are incurred in the current year to produce items that vill benefit the entity for many years (e.g., self constructed assets). The normal activity approach takes the position that these overheads should be spread over the periods benefited (e.g., if we self construct assets that have a useful life of 5 years, the overheads relating to these assets should be billed over five years rather than in the current year). This approach has the effect of averaging overheads over a period of time and applying this average to the product or service in each given year. With this approach, in some years we will bill more overhead costs than we incur and in some years we will bill less overhead costs than we incur, however, over time the overheads billed will equal the total amount incurred.

The annual activity approach to overhead allocation takes the position that each year's overhead costs should stand on its own, therefore, each year's overheads should be allocated and billed in the year incurred. This attitude arises from the videspread conviction that the year is the key time period and adherence to the idea that overhead costs for a given year generally must cling or attach to the services provided or products produced

304

Petice

APL 660-01 Page 14 of 17 Issuance: 03/28/89 Effective: 01/01/89

## ACCOUNTING FOR OVERHEAD COSTS

during that year regardless of the relationship of that year's activity to average long term activity. With this approach the amount of overhead costs \_\_\_\_ billed will fluctuate from year to year if overhead costs fluctuate from year to year.

The decision concerning the appropriate activity level to use depends on the nature of the business and is a case by case decision. Because of the measurement problems that are inherent in the normal activity approach, the annual activity approach is generally used by most unregulated companies.

# C. Special Cases

When developing overhead rates, there is a fundamental conceptual difference between an operating company and a holding company that must be considered. The overhead costs in an operating company are all caused by the products or services sold by that entity. This is not true for a holding company. Certain costs are incurred for the management of the Corporation or Region as a whole (i.e., the parent company and all of its subsidiaries), while other costs are incurred for the management of only the parent company. To the extent that the cost-causative basis for overheads are different, the allocation bases for allocating these overheads must be different.

Overhead costs that are in support of the corporation as a whole contain a significant amount of management costs. According to Cost Accounting Standard (CAS) 418.50, whenever a cost pool contains a significant amount of management costs, the allocation base should be one that is representative of the activity being managed. Normally, we would tie overheads to the direct costs being billed.

However, because the officers and certain departments (such as treasury, planning, financial management etc.) of a holding company perform functions that do more than just support the employees of the parent company's corporate office, linking these costs to their direct costs would not provide a strong cost-causative linkage. For BSC and BSE, the activities being managed are their subsidiaries, therefore it is proper to use an allocation base representative of the activities of the subsidiaries rather than the activities of the parent company. When we identify overhead costs that are only in support of the work efforts of the parent company (i.e., corporate services, accounting services etc.) rather than the region, the allocation base should be one that ties these overhead costs to the activities of the parent company.

305

Batico

APL 660-01 Page 15 of 17 Issuance: 03/28/89 Effective: 01/01/89

# ACCOUNTING FOR OVERHEAD COSTS

# VII. ACCOUNTING REQUIREMENTS

When developing the overhead rates for BellSouth Companies, certain rules must be adhered to so that consistency can be achieved between the overhead costs we are allocating and the allocation bases used to allocate these costs. Below are a list of things that must be considered:

- 1. The same cost accounting period must be used for accumulating the overhead costs as for establishing its allocation base. In general, this cost accounting period should be the company's fiscal year. A period other than the fiscal year can be used provided:
  - A. Significant administrative convenience is achieved.
  - B. The period used is representative of the activity of the cost accounting period for which the overhead costs to be allocated are accumulated.
  - C. The practice can reasonably be estimated to provide a distribution to the cost objectives of the cost accounting period not materially different from that which otherwise would be obtained.

However, if a period other than the fiscal period is selected, it should be discussed with and concurred in by BSC Comptrollers prior to being used.

- 2. When developing overhead rates it should be noted that if a cost that is typically an overhead cost has been direct billed, it should be excluded from the numerator. Additionally, this amount must be added to the denominator, if applicable. Our treatment for billing purposes determines whether a particular cost goes in the numerator (costs to be allocated) or the denominator (allocation base), not the account that contains the amount.
- 3. Overhead cost pools should be aggregated to the extent possible providing the aggregation requits in no material distortions in costing the product or service. If the logical bases for two different cost pools are different but interchanging the bases will yield the same or similar results, the cost pools should be combined and allocated using the same base.

306

Botice

BellSouth Corporation Corporate Accounting Matters Division Accounting Policy Letter -Overheads APL 660-01 Page 16 of 17 Issuance: 03/28/89 Effective: 01/01/89

# ACCOUNTING FOR OVERHEAD COSTS

- 4. The activity level recommended for BellSouth Companies is the normal approach. Since we are using this approach, we must build into our overhead rate development or rate application system a means for recovering the overheads that we have said are in support of assets as we recover the costs of these assets in future years. In a stable industry, both the normal and the annual approach will yield similar results. If it can be demonstrated that interchanging the procedures will not distort the results, the approach (annual or normal) that is easiest to apply may be chosen. If the annual approach is chosen it should be discussed with BSC Comptrollers prior to being used.
- 5. Whenever direct costs are used in establishing allocation bases for a period, the following rules must be adhered to:
  - A. Consistency in making adjustments to both direct and overhead costs for purposes of determining the total cost is important.
  - B. The appropriate cost accounting for deferrals, accruals, and other adjustments must be used in identifying the cost accounting periods among which any type of adjustments to expense are distributed (i.e., if an expense, such as taxes, is identified with a fixed, recurring period which is different from the cost accounting period, such expenses should be distributed to the cost accounting periods which is appropriate for it).
  - 6. Since the majority of the overhead costs that we are allocating are general in nature, the direct allocation method is the recommended methodology. An exception to this requirement exists if indirectly attributable overhead costs that are significant in amount has been incurred. Since allocating this overhead to all products or services will distort the cost of services that did not cause its incurrence, these overhead or indirect costs should be allocated to the appropriate products first.

Next, the unattributable overheads (typically your general and administrative type of expenses) should be loaded on the IAT overheads as well as on the direct costs. Indirectly attributable overheads that are nominal in amount can be allocated along with unattributable overheads provided no serious distortions in

BellSouth Corporation
Corporate Accounting Matters Division
Accounting Policy Letter Overheads

APL 660-01 Page 17 of 17. Issuance: 03/28/89 Effective: 01/01/89

# ACCOUNTING FOR OVERHEAD COSTS

costing vill occur. If at any time the billing company determines that one of the other methodologies in Section V is deemed to be more appropriate than the direct method, that methodology must be used with the concurrence of BSC-Comptrollers.

- 7. In developing overhead rates the following requirements must be adhered to:
  - A. The allocation base chosen depends on whether we are allocating indirectly attributable or unattributable overhead costs.
    - If we are allocating indirectly attributable (i.e.
      overhead costs that are caused by only certain products
      or services), the allocation base should only consist
      of the direct costs of the products or services that
      cause the incurrence of those costs.
    - 2. If we are allocating unattributable overhead costs, the allocation base must consist of all direct costs as well as the indirectly attributable overheads that we have allocated in 1 above.
- 8. Overhead costs based on estimates may be used in developing overhead rates, however, the estimates must be developed to represent a full cost accounting period.
- 9. The overhead rates developed should be revieved, at a minimum, annually. Additionally, if any change should occur in the interim that would cause a significant change in the overhead rate in use, a more representative rate should be developed and implemented at the time the change occurs.
- 10. For the BellSouth companies listed in Section II. APL 300-01 must be adhered to with respect to accounting for overhead costs billed in all billing situations.
- 11. To the extent that certain administrative overhead costs are incurred to satisfy regulatory requirements, these costs should be identified and apportioned only to ratepayers and not included in the overhead rate calculation for incidental and/or miscellaneous services.
- 12. Exceptions to any of these requirements should be supported by written vaiver from BSC Comptrollers.

BellSouth Cor, ation Corporate Accounting Matters Division Accounting Policy Letter -Overheads APL 660-01 Page 1 of 1 Issuance: 03/28/89 Effective: 01/01/89

Attachment I

# ACCOUNTING FOR OVERHEAD COSTS

## COST APPORTIONMENT PROCEDURES AND PRINCIPLES

APPORTIONMENT	USED IN PREVIOUS	AVAILABLE			
PROCEDURE	PROCEDURES	DAS	DAT	TAT	UAT
Apportion costs					-
from Account to		İ			
Cost Pool	N/A_	<u> </u>	<u> </u>		
Apportion costs					
from Cost Pool to	DAS	X	X	X	X
Reg/Nonreg Activity	DAT	<del></del>	<u> </u>	<u>x</u>	X
Apportion costs	DAS	x	×	x	x
from Reg/Nonreg	DAT		X	X	X
Activity to LOB	IAT			X	X
	UAT	<u> </u>			<u> </u>
apportion costs	DAS	x	x	x	X
from LOB to	DAT		X		X
product/service	TAI	1		X X	X
	TAU				X
Apportion costs			•		
from product or		X			
service to specific		1			
customer bill					

DAS - Directly assignable

DAT - Directly attributable

IAT - Indirectly attributable

UAT - Unattributable

N/A - Not Applicable

· Principles must be applied within the prescribed hierarchy.

309

Hotice

BellSouth Corporation
Corporate Accounting Hatters Division
Accounting Policy Letter Overheads

APL 660-01
Page 1 of 3
Issuance: 03/28/89
Effective: 01/01/89
Attachment II

# ACCOUNTING FOR OVERHEAD COSTS

## DEFINITIONS

Affiliates - Business entities regardless of legal form that directly or indirectly, through one or more intermediaries, control or are controlled by, or are under common control with the accounting company.

Allocation - As used in the telecommunications industry in connection with the JCO, describes the methodology used to distribute costs between all products, services or other cost objectives in the absence of direct or indirect measures of use. As defined by the Cost Accounting Standards Board (CASB): "To assign an item of cost, or a group of items of cost, to one or more cost objectives in accordance with the principles of cost-causation. This term includes both direct assignment of costs and reassignment of a share from an indirect pool."

Allocation Base - A systematic means of relating a given cost or cost pool with a cost objective. Given a cost objective, a method or function that links the objectives with the costs that are to be allocated.

Ancillary Charges - Those costs that are billed which represent a return for the benefit that the billed party realizes from the use of the billing party's investments (i.e., ROI, float, etc.), or which represents additional expenses incurred by the billing party that can directly be attributed to work performed for the billed party (i.e., gross receipts tax allowance, sales tax and income tax gross-up, etc.).

<u>Apportionment</u> - As used in the JCO, this term describes generically all methodologies employed to distribute the total cost of an entity's resources between regulated and nonregulated activities, products and services.

Assign - As used in the JCO, this term applies when a particular item, account, category, cost pool, etc., belongs to only one jurisdiction or service.

Business Segment - Any division of an organization for which separate determinations of costs or revenues or both are desired.

<u>Cost Accounting Standards</u> - The basic principles and policies of cost estimating, cost recognition, cost keeping, cost uses, and cost reporting. These standards were established by the Cost Accounting Standards Board (CASB).

BellSouth Corporation Corporate Accounting Matters Division Accounting Policy Letter -Overheads APL 660-01 Page 2 of 3 Issuance: 03/28/89 Effective: 01/01/89 Attachment II

#### ACCOUNTING FOR OVERHEAD COSTS

Cost Objective - A function, organizational subdivision, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, etc.

Cost Pool - Accumulation of costs into functional groupings based on the relationship of those costs to cost objectives (i.e., products or services, organizational units, LOB, etc.). Cost pools are cost accounting tools which simplify the cost allocation process by enabling one cost allocation step to replace what would otherwise be numerous cost allocation steps if such allocations were performed individually for each amount.

Costing Principles - The JCO rules that must be adhered to in assigning, attributing or allocating costs to regulated and nonregulated activities.

Cross-Subsidization - Financial or operating assistance provided to one entity (service) by another at less than full cost. In terms of the JCO, having telephone customers pay more than their fair share for the services to which they subscribe. Cross-subsidization can result either from improper allocation of common costs or from improper transfer pricing of services and assets provided by one affiliate to another.

<u>Direct Assignment</u> - Describes the costing methodology used to distribute the cost of resources that are used exclusively (dedicated) for a regulated or a nonregulated activity.

Direct Attribution - Describes the costing methodology used to distribute the cost of resources for which a direct measure of cost-causation exists.

<u>Direct Costs</u> - As defined by the CASB, any cost which is identified specifically with a particular final cost objective. In terms of the JCO costing principles for overhead purposes, direct costs are those costs that are directly assignable or directly attributable on a product or service level.

Final Cost Objective - A cost objective which has allocated to it both direct and overhead costs, and is the final accumulation point.

Homogeneous Cost Pool - Cost pools that are grouped together that have the same or similar causal relationship to cost objectives. The term also applies to cost pools that, if allocated separately would yield similar results as if allocated together.

BellSouth Corporation Corporate Accounting Matters Division Accounting Policy Letter -Overheads

APL 660-01
Page 3 of 3
Issuance: 03/28/89
Effective: 01/01/89
Attachment II

# ACCOUNTING FOR OVERHEAD COSTS

Indirect Attribution - Describes the methodology employed to apportion the costs of resources that cannot be directly assigned or directly attributed between products, services, or other cost objectives. Costs of resources that must be allocated based on an indirect measure of cost-causation because a direct measure does not exist.

Indirect Cost - Same as overhead

Line-of-Business - A product or service or group of products and services identified, managed and monitored separately as a profit, contribution, or cost center. As used in the JCO, any activity for which the company intends to increase resources as needed to meet market demand.

Overhead - Any cost of doing business other than a direct cost of an output of product or service. In terms of the JCO costing standards, those costs that are indirectly attributable or unattributable on a product or service level. In terms of types of costs that are generally overhead costs, the management, financial and other expenses of an organization which are incurred for the general management and administration of a business as a whole, a segment of a business or a line of business. These are costs that are identified with two or more final cost objectives.

Overhead Rate - A percentage which expresses a ratio of overhead expenses to a corresponding base. The numerator represents the total overhead costs that will be allocated and the denominator represents the allocation base which will be used to distribute these costs to the final cost objectives.

<u>Producing Departments</u> - Those departments that are directly involved in the product or the service that is sold.

<u>Service Departments</u> - Those departments that exist solely to aid the production departments by rendering specialized assistance with certain phases of the work.

<u>Unattributable</u> - Describes the methodology employed to allocate costs of shared resources that cannot be distributed between products, services, or other cost objectives on a cost-causational basis.

RL RL 87-11-006BS

Subject Accounting Policy Letter

BELLSOUTH

Type: Strong Recommendation

Date: April 22, 1988

Distribution Lists:

(Attached)...

Related Letters:

Oth

To: Vice President and Comptroller-South Central Bell and Southern Bell Assistant Vice President and Comptroller-BellSouth Enterprises Comptroller-BellSouth Services

Entities: BSC, BSS, SB, SCB, BSE

From Vice President & Comptroller - BellSouth Corporation

Description: Transmits new issue of the BellSouth Accounting Policy Letter (APL) 300-01 providing for the accounting for miscellaneous billing which supersedes and cancels Accounting Ruling dated December 1, 1983, Accounting Letter A-6 and Accounting Letter A-15.

Attached is Accounting Policy Letter 300-01 which covers the accounting policy for miscellaneous billing to affiliates and nonaffiliates for work performed incident or peripheral to the company's regulated telecommunications activities as prescribed per Part 32 Uniform System of Accounts (USOA). Part 64, Joint Cost Allocation, effects are generally covered in Section III of this document, but will be addressed more fully in a future APL. This APL is a new issue which supersedes and cancels Accounting Ruling dated December 1, 1983, "Accounting for Bills Rendered by Regulated BellSouth Subsidiaries to Affiliates or Other Entities Standing in a Role Other Than That of a Customer", Accounting Letter A-6, "Accounting for Costs of Performing Work for Others", and Accounting Letter A-15, "Accounting for Billing Rendered to Other than Customers for Property - Related Costs" in their entirety.

Any questions regarding this subject should be addressed to Theresa Reese at (404) 249-3036 or Ken Mory (404) 249-3026.

P. H. Casey

Vice President & Comptroller

Attachment

BellSouth Corpc .ion Corporate Accounting Matters Division Accounting Policy Letter -(classification)

APL 300-01 Page Issuance: Effective: 1/07/83

SUBJECT:

APL 300-01 Accounting for Miscellaneous

Billing to Affiliates and Nonaffiliates for Work Performed Incident or Peripheral

to the Company's Regulated Telecommunications

Activities

STATUS:

New Issue: Supersedes and Cancels Accounting

Ruling dated December 1, 1983, Accounting

Letter A-6 and Accounting Letter A-15

ORIGINATOR:

Ken Mory (404) 249-3026

CONTACT:

Theresa Reese (404) 249-3030

Dell Coleman (404) 249-3032

Recommended:

M. Theresa Reese Staff Manager

Concurred:

Kenneth J. Mory Corporate Manager

Concurred:

Michael Hostinsky

stant Comptroller

Appròved:

Vice President & Comptroller

MOTICZ

Not for use or disclosure outside the BellSouth Corporation except under written agreement

APL 300-01

Page 2 of 17
Issuance: 4/22/88
Effective: 1/01/88 -

# ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

# TABLE OF CONTENTS

SECTION		PAGE
ı.	PURPOSE	3
II.	SCOPE	3
III.	GENERAL CONCEPTUAL GUIDELINES	-
	A. Direct Costs B. Indirect Costs C. Ancillary Charges D. Revenue Recognition	5
IV.	BILLING CATEGORIES AND ACCOUNTING REQUIREMENTS	
	A. Custom Work  B. Reimbursements  C. Rent  D. Other	10 13
v.	CONSOLIDATION AND AFFILIATED TRANSACTION CONCERNS	16
VI.	SUMMARY	16
	ATTACHMENTS	
	A. ACCOUNTING FOR MISCELLANEOUS BILLED REVENUE FOR AFFILMAND NONAFFILIATES - ACCOUNTING BY BILLING COMPANY WHE	IATES N INCURRE
	B. ACCOUNTING FOR MISCELLANEOUS BILLED REVENUE FOR AFFIL. AND MONAFFILIATES - ACCOUNTING BY BILLING COMPANY WHE	IATES N BILLED
	C. ACCOUNTING FOR MISCELLANEOUS BILLED REVENUE FOR AFFILMAND MONAFFILIATES - ACCOUNTING BY BILLED COMPANY	IATES

#### ROTICE

BellSouth Corpor 'on Corporate Accounting Matters Division Accounting Policy Letter -Cost Accounting Standards

APL 300-01 Page 3 of 17 Issuance: 4/22/88 Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

## I. PURPOSE

The purpose of this Accounting Policy Letter (APL) is to establish accounting policy for bills rendered by regulated BellSouth subsidiaries, Southern Bell (SB) and South Central Bell (SCB), for the billing of miscellaneous revenues and costs to affiliates and nonaffiliates derived from activities performed incident or peripheral to (aside from) the companies' tariffed telecommunications operations. This miscellaneous revenue will be classified using the following billing categories: (a) Custom Work, (b) Reimbursements, (c) Rent and (d) Other.

Such amounts are customarily billed whenever a party realizes a benefit from the property or resources of the billing company. The purpose of such billing is to provide compensation to the billing party for its costs which are traceable to the benefit realized by the billed party.

As defined in Part 32 USOA (Uniform System of Accounts), "The revenue accounts are intended to include the actual cash inflows (or equivalents) that have or will occur as a result of the Company's ongoing major or central operations during the period." This revenue is derived from goods sold or services rendered to both affiliates and nonaffiliates. This definition is consistent with the Financial Accounting Standards Board's Statement of Concepts No. 6 definition of revenues. Although most miscellaneous billing results in the recognition of revenue, there are certain activities whose cash inflows (or equivalents), because of their characteristics, are not classified as revenues under Part 32 USOA. The accounting for these billings will be a major focus of this policy letter.

#### II. SCOPE

This Accounting Policy Letter <u>DOES NOT</u> address the accounting for costs incurred that are connected with the provision of tariffed telecommunications services or the accounting for costs incurred in connection with the pursuit

APL 300-01 Page <u>A</u> of 17 Issuance: 4/22/88 Effective: 1/01/82

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

of any other lines of business, regulated or not, in which a telecommunications company may engage; nor does it address the classifications of such amounts.

Further, it <u>DOES ROT</u> address billing within a telephone company, (intracompany, e.g., billing within Southern Bell between Georgia and Florida or billing within South Central Bell between Alabama and South Central Bell Headquarters).

This Accounting Policy Letter <u>DOES</u> establish accounting policy for bills rendered by regulated BellSouth subsidiaries for the billing of miscellaneous revenues and costs to affiliates and nonaffiliates derived from activities performed aside from the companies' tariffed telecommunications operations. Section III addresses the general conceptual cost accounting guidelines. Section IV addresses the various types of billing categories and the related accounting requirements for each as outlined below:

- Definition of Billing Category
- Accounting requirements when incurred Direct costs
  Indirect costs
  - Ancillary charges
- Accounting requirements by billing company when billed
  Direct costs
  Indirect costs
  Ancillary charges
- Accounting requirements by billed company when billed
  Direct costs
  Indirect costs
  Ancillary charges

Section V addresses certain consolidation and affiliated transaction concerns. Section VI summarizes the accounting policy. Attachment 1 is a matrix representing the accounting requirements discussed above.

## III. GENERAL CONCEPTUAL GUIDELINES

In accordance with USOA Part 32.27, miscellaneous billings to nonregulated affiliates must be based on a prevailing market price or tariff if one exists. However, if no prevailing market price or tariff exists, the billings must be based on cost. Whenever any miscellaneous billings (including billings to affiliates) are based on cost, the amount billed must be determined by applying the costing standards contained in Section 64.901 of the FCC's rules. All of the costs attributable to work performed incident or peripheral to the company's tariffed telecommunications operations should be determined and accumulated through use of cost reporting and cost allocation processes of the telecommunications tompany performing the work involved. Costs billable in such cases are of three types:

ROTICE

Page 5 of 17 Issuance: 4/22/88 Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

- A. <u>Direct Costs</u>: Resource costs which can be specifically assigned or attributed to a business activity on a cost-causative basis. They consist of the following elements:
  - Direct labor costs of the work performed, including line supervision and administrative clerical costs, staff support costs as well as all associated employee-related miscellaneous costs
  - 2. Costs associated with facilities used directly in performing the work (such as tools, materials and supplies, vehicles and other work equipment), to the extent that such costs are an integral part of the costs of the business function using the facilities. It also includes the property related costs associated with any of the company's property used directly by the billed company
  - 3. Costs, if any, billed by outside contractors

All of the above cost elements represent billable direct costs, whether (1) they can be reported directly to a particular work performed for another party at the time the work is performed or the cost is incurred, or (2) the billable portions of these cost elements are determined through an allocation process.

Whenever a telecommunications company performs work for another party, the direct costs involved should be reported as incurred to the company's accounts appropriate for the nature of the work performed. Subsequent movement of these costs to other accounts — and the timing of that movement — is dependent upon (1) the nature of the work performed, (2) the nature of the party for whom the work is performed, and (3) whether the work performed benefits only the other party or benefits both the other party and the telecommunications company. These factors are reflected in Section IV.

The term "billable direct costs" also applies to the billable portion of a company's costs associated with any of its property which is used by the billed party itself, or which is used directly by employees of the billing company in connection with work performed for the billed party. In either of these cases, the billing company's costs associated with such property that are billed to the billed party represent the reason why a bill is being issued at all.

MOTICE

Not for use or disclosure outside the BellSouth Corporation except under written agreement

BellSouth Corpor. on Corporate Accounting Matters Division Accounting Policy Letter -Cost Accounting Standards APL 300-01 Page 6 of 17 Issuance: 4/22/88 Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

B. Indirect Costs: Although not specifically attributed to or caused by the function being billed, indirect costs are identifiable as contributing to the cost of producing a service or a product (e.g. depreciation on the shared facilities of a central office). Classification of these costs should generally follow the basic principle that billed overhead costs should be classified in the same general manner as applies to the related direct costs.

Indirect costs are further categorized as either property-related overhead costs or non-property related overhead costs.

<u>Property-related overhead costs</u> are those costs associated with property owned or leased by a company which are viewed as indirectly supporting the work performed by employees of the company. Whenever the non-owning party realizes a benefit from property provided by the telecommunications company, the non-owning party should bear the appropriate share of the costs incurred by the telecommunications company as to that property.

The owner company's ratepayers should not be burdened with that portion of the company's costs for the involved property which relates to the benefit realized from the property by the other company. Instead, the other company should bear that burden.

Four distinct cost elements are ordinarily associated with property owned by a telecommunications company:

- (1) Plant Specific Operations Expense
- (2) Certain Plant Monspecific Operations Expense (e.g., Depreciation)
- (3) Property taxes paid based on the property
- (4) Return on the company's investment in the property1

Also that ROI must be grossed-up to account for the income tax effects of the additional revenue.

An indirect cost which applies to property-related costs is return on investment. The owning telecommunications company is entitled to earn a proper return on its investment in such property. Therefore, when billed, the billing company should treat ROI as a credit to revenue.

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMPUNICATIONS ACTIVITIES

Non-property related overhead costs are those expenses traceable to work performed by employees of a company who are engaged in performing its basic operations. Such non-property related overheads include:

- (1) Corporate Operations Expenses
- (2) Plant Monspecific Operations Expenses

#### C. Ancillary Charges:

Ancillary charges include (1) Float Charges, (2) Gross Receipts Tax Allowance, (3) Sales Tax and (4) additional Profit Element. Each of these charges are discussed below:

- (1) Float Charges Whenever a time lapse is anticipated between (1) a company's expenditures of funds and (2) restoration of those funds by the billed party, a float charge will generally be calculated by the billing company and included in the total amount it bills. The float charge must be calculated to obtain, from the billed party, an amount sufficient to compensate for the cost-of-funds expense incurred by the billing company with regard to its funds tied up in the receivable due from the billed party for the period during which the receivable remains outstanding.
- (2) Gross Receipts Tax Allowance In some tax jurisdictions, amounts billed to the billed party may be subject to gross receipts/gross earnings (GRT) tax.

In such cases, the pertinent billable basic components must be grossed up sufficiently prior to bill issuance to cover in full whatever basic components of billing were subject to GRT.

- (3) Sales Tax For those jurisdictions which sales tax applies, certain basic components of billing rendered may subject the billed company to a sales tax liability which the billing company is responsible for collecting on behalf of the taxing authority involved. After calculating the appropriate sales tax amount oved by the billed party, the billing company will include it in the total bill rendered.
- (4) Additional Profit Element This document neither recommends nor precludes the inclusion of a profit element in billing issued to obtain compensation from parties in regard to costs of the billing company.

ROTICE

Not for use or disclosure outside the BellSouth Corporation except under written agreement

BellSouth Corporation
Corporate Accounting Matters Division
Accounting Policy Letter Cost Accounting Standards

APL 300-01 Page <u>8 of 17</u> Issuance: 4/22/88 Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

#### D. Revenue Recognition

Although Generally Accepted Accounting Principles (GAAP) and Part 32 USOA generally require the recognition of cash inflows or their equivalents as revenues, the Federal Communications Commission (FCC) has provided an exception for certain reimbursable expenses. In order to determine the proper accounting, the intent of the transacting parties must be considered. Certain fundamental questions must be answered to make this determination.

Is it an "arms-length" transaction in which a buyer and a seller are free to act, each seeking his or her own best economic interest and agreeing on a price? Is the intent to "make a sale" and to "make a profit"?

OR.

• Is the intent to be "made whole", to be reimbursed, or to reduce costs (i.e., not to make a profit or to make a sale but recover costs due to sustaining damages to property, legal obligations or bona fide joint operations resulting in cost savings or operational efficiencies)?

If the intent is to "make a sale" (an arms-length transaction), then the billing company will credit the appropriate revenue or income account. However, if the intent of the transaction is to be "made whole", the transaction should be considered a "Reimbursement" and the billing company will credit the account originally charged.

#### IV. BILLING CATEGORIES AND ACCOUNTING REQUIREMENTS

This section addresses the various types of billing categories and the related accounting requirements. Billing categories include Custom Work, Reimbursements, Rents and other incidental or peripheral activities. For each of these categories the accounting requirements for costs when incurred, for billing rendered, and for billing received are discussed below.

A. <u>Custom Work</u> is defined as nontariffed plant construction, including cost of removal and associated engineering and design costs performed for others incident to the company's regulated telecommunications operations. This construction is at the request of the billed party (the customer) and ownership is retained by that party, not the company (e.g., if the company were to construct a booth around a privately owned, semi-public telephone and the ownership is retained by the customer).

APL 300-01 Page 9 of 17 Issuance: 4/22/88 Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND MONAFFILIATES
FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED
TELECOMMUNICATIONS ACTIVITIES

### (1) Accounting by the billing company when incurred:

Direct costs of constructing property that are incurred under an agreement to construct plant entirely for another company must be moved out of the constructing company's telecommunications plant accounts to which they were reported when the work was performed, in the month when incurred. These costs must appear as an account receivable of the constructing telecommunications company as of the close of that month. This requirement also applies to that portion of another company's share of direct costs associated with joint construction i.e., construction of property to be owned jointly. This will ensure that while such costs remain in the accounts of the constructing company, they are recognized there in a manner such that they will not generate any of the following cost factors which relate to construction expenditures:

- indirect costs chargeable to construction
- interest chargeable to construction

The constructing company will be compensated for its indirect costs attributable to the construction work performed for the other company by means of the amounts it bills to the latter company in regard to those costs (i.e., the billed indirect costs will serve as a substitute for indirect costs chargeable to construction in connection with its own property). Similarly, the float charge billed by the constructing company will provide appropriate compensation for its cost-of-funds attributable to the direct costs billable to the other company. Plant construction for another company should not appear at the close of any month as in-service plant of the constructing company.

### (2) Accounting by the billing company when billed:

Generally, direct, indirect and ancillary costs associated with custom work should be appropriately accounted for by the billing company to Account 7110 - Income From Custom Work.

This can be accomplished by (1) crediting investment and expense accounts originally charged and debiting Account 7110 for total costs and crediting the same account for total revenues or (2) by crediting accounts originally charged and Account 7110 with the net of those credited amounts and gross revenues.

APL 300-01
Page 10 of 17
Issuance: 4/22/88
Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

However, to the extent that an account has not been originally charged for billed costs, amounts such as ROI & gross-up for Income Taxes, profit, float and the gross-up for gross receipts taxes should be credited to Account 7110. Furthermore, sales tax amounts should be classified as a credit to the applicable accounts payable account. (See Sections III B & C)

In addition, because custom work is defined as an incidental service in Part 32 USOA, all detail data (gross expenses and revenues) must be maintained for each undertaking. The gross revenue amount from Income from Custom Work, will be required for reporting total incidental revenues earned to the FCC.

#### (3) Accounting by billed company:

The billed company should account for direct, indirect and ancillary charges to the appropriate expense or investment account. An exception would be the accounting for sales tax which should be allocated equitably by the billed company among accounts applicable to the direct costs billed in the case at hand.

Direct costs billed to a telecommunications company in regard to work involving construction of property for that company by an outside party should be accounted for in the billed company as a charge to other deferred charges until the billing detail is known. At that time, such costs should be accounted for as charges to the appropriate telecommunications plant construction/removal accounts.

B. Reimbursements - Although GAAP and Part 32 USOA generally require the recognition of cash inflows or their equivalent as revenues, the FCC has provided an exception for certain situations. Accounting for Reimbursements requires the crediting of expense accounts originally charged for the following: (1) joint operations or projects, including shared facilities agreements, and (2) repairing plant due to damages by others and obligations to perform work which are binding on the company (statutory requirements) that must be done to support the telecommunications network, (i.e., moving a company pole for a party, at their request - we don't allow anyone else to move our plant and we must do the work to support the telecommunications network, billing for damaged company plant, rearrangements, highway relocations, aid to construction and 800 Service Joint Operation).

Page 11 of 17 Issuance: 4/22/88 Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

(1) Joint Operations are defined as a company's participation in a joint venture to share in the resulting cost savings and operational efficiencies of using joint resources to "make a sale" to a third party. This criteria must be clearly met for an operation to be subject to the accounting treatment required for reimbursements. An example of this would be the 800 Data Base Joint Operations Service in which investments are owned by one entity and shared with other entities to complete the delivery of service for all involved.

Shared facilities are a type of joint operation. This type of arrangement allows for the use of investment resources of one party by another in which there is no intent to do business together but there is a desire to share that resource for the mutual benefit of both. The operating activities of the parties involved are independent of one another. In other words, a company has a facility it develops for its own use which it provides to another party independent of its own operating activities. Joint operations also includes billing for shared services between affiliates. An example of this would be "BOC to BOC" and "BOC to BSS" billing for administrative services when the intent is to be "made whole" and not to "make a sale".

#### (a) Accounting by the billing company when incurred:

Plant operations (maintenance), customer operations, corporate operations and other miscellaneous operations can all be performed as a joint operation. Direct and indirect costs of work performed for another tompany for joint operations that represent costs of work not associated the regulated telecommunications operations should appear as an account receivable of the telecommunications company performing the work, as of the the close of the month in which they are incurred. Direct and indirect costs representing operating expenses incurred under arrangements for joint participation or apportionment between a BellSouth telecommunications carrier and another telecommunications carrier (whether affiliated or not) or nonregulated affiliated company should be reported to the applicable expense accounts of the company performing the work as they are incurred, and should remain in those accounts of that company until billing is actually rendered or until reciprocal accruals are booked in the billed company.

#### (b) Accounting by the billing company when billed:

When two companies engage in joint operations, direct and indirect costs for property-related (i.e., maintenance) and non-property related costs should be accounted for as a credit to the appropriate expense or investment account to the extent they were originally charged thereto.

ROTICE

Not for use or disclosure outside the BellSouth Corporation except under written agreement

APL 300-01 Page 12 of 17 Issuance: 4/22/88 Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

Each portion of the ROI & Gross-up for Income Taxes, GRI allowances, profit, and float charge be credited to an appropriate operating or miscellaneous revenue or income account. You cannot credit an expense account for this type billing component because you have not incurred an expense. This would have the effect of removing costs from that account which had never been charged to it.

Furthermore, Sales Tax amounts should be classified as a credit to the applicable accounts payable account. (See Sections III., C., P. 7)

#### (c) Accounting by billed company:

As discussed in Section IV., A., (3), P. 10, the billed company should account for direct, indirect and ancillary charges in a manner corresponding to the treatment given them in the billing company. Furthermore, billed maintenance costs which represent non-property related overheads should be treated as a charge to expense, by the billed company.

(2) Repairing Plant Due to Damages by Others and Obligations includes work which is performed by the company for repairing telecommunications plant due to damages by others and obligations to make changes in telecommunications plant. Such work generally involves removing, relocating, repairing, rearranging, rerouting, replacing and/or otherwise making changes in plant of the telecommunications company.

#### (a) Accounting by the billing company when incurred:

When a company incurs direct and indirect costs associated with its property as a consequence of obligations or because of damage done to the property by a contractor or some other party, the appropriate expense or investment account should be charged. (The costs incurred for this type of work is ordinarily reimbursed in whole or part to the company.)

In the case of construction, the costs must be moved out of the constructing company's telecommunications plant in the month incurred. These costs are to appear as an account receivable of the constructing telecommunications company to ensure they don't generate any indirect costs, interest expenses. These costs will be compensated for once the company bills the costs. (See Section IV., A., (1), P. 8)

APL 300-0: Page 13 of 17 Issuance: 4/22/88 Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

#### (b) Accounting by the billing company when billed:

Accounting for Reimbursements of direct and indirect costs when billed for repairing plant due to damages by others and obligations to make changes in telecommunications plant requires the crediting of expense or investment accounts originally charged (with the exception of Return on Investment and Gross Up for Income Taxes which are credited to revenue). Ancillary costs should be treated as described in Section IV., B., (1), (b), P. 11.

The amount actually billed to recover all or portion of the direct costs incurred for work performed on a telephone company's own plant on account of an outside party should be accounted for as follows:

- (1) Credit the maintenance accounts initially charged in regard to the work done, up to the total amount originally charged.
- (2) Credit any remainder of the billed amount to the depreciation reserve account, up to the total amount originally charged thereto in excess of the cumulative depreciation expense accruals made previously in respect to the property involved.
- (3) Credit any remainder of the billed amount as negative charges proportionately among the telecommunications plant capital accounts involved, up to the total amount charged thereto in connection with the work performed.
- (4) Credit any remaining portion of the billed amount to the appropriate other operating revenue account.

Repair of damages to a telecommunication company's plant caused by others ordinarily involves costs of construction. Any amount received as reimbursement from the party causing such damage to telecommunications company plant should be credited to the plant capital accounts as provided in item (3) above.

#### (c) Accounting by billed company:

The same accounting treatment outlined above for Joint Operations are applicable for this category. (See Section IV., B., (1), (c), P. 12)

ROTICE

APL 300-01
Page 14 of 17
Issuance: 4/22/88
Effective: 1/01/86-

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND MONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

C. . Rent is defined as revenues (including taxes when borne by the lessee) derived from the rental or subrental to others of telecommunications plant furnished apart from telecommunications services rendered by the company. It includes revenue from the rent of such items as space in conduit, pole line space for attachments, and any allowance for return on property used in joint operations and shared facilities agreements.

#### (1) Accounting by the billing company when incurred:

Direct and indirect rental costs when incurred should be charged to the appropriate expense account.

A lease agreement with a third party owner may specify that the lesses company rather than the owner is to be responsible for maintenance of the leased property. If so, the associated costs should be booked by the lesses telecommunications company as maintenance costs when incurred.

A telecommunications company that has property which it uses along with another party, or which it uses directly in performing work performed for another party, need not actually own the property involved. The company might instead lease the property from some third party. If so, the lease payments made to the third party owner would be accounted for as an expense by the lessee company. This expense would compensate the lessor-owner for depreciation and property taxes on the property plus a return on the owner's investment in it. In such cases, the telecommunications company still incurs, in effect, all four property-related cost elements listed on page 6, section III. However, the last two elements listed, property taxes and ROI, and depreciation expense take the form of rent paid to the owner party.

#### (2) Accounting by the billing company when billed:

Direct, indirect, and ancillary costs associated with rental are credited to rent revenue when billed by the billing company. However, sales tax should be classified as a credit to the applicable accounts payable account.

When the lease agreement specifies that the lessee (billing) company rather than the owner is to be responsible for maintenance of the leased property, the billed company's share should be accounted for by the billing company as income when billed, along with the billed company's share of the rental paid by the billing company.

APL 300-01
Page 15 of 17
Issuance: 4/22/88
Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

Property of a company which indirectly supports its employees who perform work performed for another party may also be property that is leased rather than owned. Here too the billed party's share of the lessee company's payments should be classified as income by the billing company when billed.

The expense of maintaining and operating the rented property, including depreciation and insurance, shall be included in the appropriate operating expense accounts.

#### (3) Accounting by billed company:

Direct, indirect, and ancillary costs, should be debited to the appropriate rental expense account. Sales taxes, however, are to be equitably allocated by the billed company among accounts applicable to the direct costs billed.

D. Other - the accounting treatment noted below is applicable for Plant Operations, Customer Operations, Corporate Operations and other incidental regulated revenue. These billings are defined below.

<u>Plant Operations</u> - Revenue from contracted services of plant maintenance and engineering performed for others (on their property) incident to the company's regulated telecommunications operations. This account does not include revenue related to the performance of operation or maintenance activities under a joint operating agreement. Revenue related to the operation or maintenance activities under a joint operating agreement should be treated as rent revenue and the expenses included in the appropriate expense account.

Customer Operations Revenue - Revenue derived from the performance of customer operations services for others incident to the company's regulated telecommunications operations which are not provided for elsewhere. Examples would include billing procedures or the setting up of new services for other companies with their customers. This further includes the provision of centralized rate and route information for others and the rendering of unattended dial exchange operating office service.

Corporate Operations Revenue - Revenue from services rendered to other companies under a license agreement, general services contract, or other arrangement providing for the furnishing of general accounting, financial, legal, patent, and other general services associated with the provision of regulated telecommunications services.

APL 300-01
Page 16 of 17
Issuance: 4/22/88
Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

- (a) net collection overages
- (b) unclaimed refunds for telecommunications services when not subject to escheats (reversion of land to state when there are no heirs)
- (c) charges (penalties) imposed by the company for customer checks returned for non-payment
- (d) discounts allowed customers for prompt payments
- (e) late payment charges
- (f) revenue from private mobile telecommunications services which do not have access to the public switched network

The accounting treatment for this billing is handled in the same manner as Rent with the exception of non-property related overheads. This is applicable for the accounting when incurred and billed by the billing company and the accounting by the billed company when billed.

For non-property related overheads, the billing company should debit the appropriate expense account when incurred and credit the appropriate revenue account when billed. The billed company should debit the appropriate expense account. (See Attachment 1 pages 1 - 3.)

#### V. CONSOLIDATION AND AFFILIATED TRANSACTION CONCERNS

When a bill is actually rendered by a telecommunications company for miscellaneous work performed for an affiliate, the billing should occur at a point such that the benefitting party will have sufficient time after receipt of the bill to record the billed costs in detail in its applicable accounts for the same month in which the billed costs are recorded as credits in the applicable accounts of the telecommunications company.

In each case where both of the parties involved are telecommunications companies and/or are affiliated with each other, the billing telecommunications company must provide sufficient billing detail to permit the billed company to book the various billed amounts in a manner reflecting the accounting treatment given them in the billing company, to the extent applicable.

APL 300-01
Page 17 of 17
Issuance: 4/22/88
Effective: 1/01/88

ACCOUNTING FOR MISCELLANEOUS BILLING TO AFFILIATES AND NONAFFILIATES FOR WORK PERFORMED INCIDENT OR PERIPHERAL TO THE COMPANY'S REGULATED TELECOMMUNICATIONS ACTIVITIES

#### VI. SUMMARY

This policy letter outlines the accounting requirements for miscellaneous billing to affiliates and nonaffiliates for work performed incident or peripheral to the company's regulated telecommunications activities. It further defines the billing categories and describes the accounting treatment by the billing company when incurred and when billed, as well as the accounting treatment by the billed company. This accounting treatment is in accordance with Part 32 USOA, CC Docket 86-111 and GAAP. As noted in Section I, most miscellaneous billing results in the recognition of revenue, however, there are certain activities whose cash inflows (or equivalents), because of their characteristics, are not classified as revenue in accordance with the above referenced documents.

## ACCOUNTING FOR MISCELLANEOUS BILLEL ENUE FOR AFFILIATES AND NONAFFILIATES

Attachment 1 300-01
Effective ./88
Issued : -/22/80
Page 3 of 3

### ACCOUNTING BY BILLED COMPANY

types of Billing	Work Performed for Others Incident to the Company's Regulated Telecommunications Activities Pit.Opr.Rev.									
Types of Charges_Billed_	Custom WK (Construction)	Reinbursement Obligation/ On Acct, of Uthers	3	hared	[Maint./Eng., Plt.Spec. and	Customer Opr. Rev.	Corp. Ogr.Rev.	Other Incidental Reg. Rev.	_Rent_	
Direct Costs	Esp./Invest.	Espense	Expense	Espense	Expense	Expense	Expense	Eupense	Espense	
Property Overhead MOI Gross-up For		Expense	Enpense 	Espense	Expense	Eupense 1	Expense	Espense	Expense	
Tames Property Tames Depreciation Amortization Capital Stock Tames Plt. Spec. Haint.										
Mon-Property Overhead									N/A	
Corp. Oprns. Plant Non Specific Provisioning Engineering Pint. Oper. Admin.									,	
Ancillary				·						
Gross Receipts Sales Tan Profit Float	Eupense Al locate* Eupense Eupense	Empense Allocate* Empense Empense	Enpense Enpense Enpense Enpense	Espense Allocate* Espense Espense	Expense Allecate <sup>a</sup> Expense Expense	Expense Allocate* Expense Expense	Expense Allocate* Expense Expense	Espense Al locate* Espenso Espense	Expense Allocate Expense Expense	

<sup>\* :</sup> Sales tax should be allocated equitably among accounts applicable to the direct costs billed.

<sup>#:</sup> These are not considered incidental activities but rather recurring activities incurred to provide regulated telecommunications service.

## ACCOUNTING FOR MISCELLANEOUS BIL. REVENUE FOR AFFILIATES AND NOMAFFILIATES

Attachment ' :Pt 300-01 Effec /01/88 Issueu, 4/22/68 · Page 1 of 3

ACCOUNTING BY BILLING COMPANY WHEN INCURRED

Types of Billing	Werk Performed f	Performed For Others Incident to the Company's Regulated Telecommunications Activities Plt.Opr.Rev.								
Types of Charges Billed	Custon M( (Construction)	Reinburseme Obligation/ On Acci. of Other		hared	(Maint./Eng., Plt.Spec. and	Customer Opr. Rev.	Corp. Opr.Rev.	Other Incidental Es <u>a. Rev.</u>	_Rent_	
Direct Costs	Expense/* Investment	Empense/ * Invest.	Expense/	Expense/	Expense	Expense	Eupenso	Expense	Expense	
Property Overhead	1									
RDI Gross-up for Tages		N/A N/A	M/A M/A	M/A M/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	
Property Taxes Depreciation Amortization Capital Stock Taxes Pit. Spec. Maint.		Espense/ Invest.	Eupense/	Expense/	Expense	Expense	Expense	E=pense	Espense	
Hen-Property Overhead				r I					   N/A   1	
Corp. Oprns. Plant Non Specific Provisioning Engineering Plat. Oper. Admin.								1	,	
Ancillary	N/A	N/A	H/A	N/A	N/A	N/A	N/A	H/A	H/A	
Gross Receipts Sales Tan Profit Float										

<sup>\*:</sup> After construction costs are incurred you must move the construction amounts from the telephone plant accounts to an account receivable account. This treatment is necessary to ensure that construction-related expenditures are recognized in a manner such that they will not generate any overhead, interest or depreciation charges.

<sup>#:</sup> These are not considered incidental activities but rather recurring activities incurred to provide regulated telecommunications service.

## ACCOUNTING FOR MISCELLANEOUS BILLES REVENUE FOR AFFILIATES AND HONAFFILIATES

Attachment Effect

PL 300-01

ACCOUNTING BY BILLING COMPANY WHEN BILLED

Inqued: 4/22/80 Page 2 of 3

Types of Silling	Wark Parformed for	Herk Performed for Others Incident to the Company's Regulated Telecommunications Activities									
Types of Charges Billed	Custom WK (Canstruction)	Obligation/ On Acct. of Other		Shared	(Maint./Eng., Pit.Soc. and	Customer Der. Rev.	Corp. Opr.Rev.,	Other Incidental Reg. Rev.	Rent		
Direct Costs	Rev./Inc. •	<b>x</b>	x	x	Revenue	Revenue	Revenue	Revenue	Revenue		
Property Overhead											
RO1 Gress-up For Taxes		Revenue Revenue	Revenue Revenue	Revenue Revenue	Revenue	Revenue	Revenue	Revenue 	Revenue		
Property Tanes Depreciation Amortization Capital Stock Tages		Ĭ	*	Ĭ							
Pit. Spec. Haint.											
Overhead											
Corp. Oprns. Plant Hon Specific Provisioning Engineering Pint. Oper. Admin.									N/3,		
Ancillary											
Gross Receipts Sales Tam Profit Float	Revenue (7110 Acct. Pay Revenue (7110 Revenue (7110	Accl. Pay ) Revenue	Revenue Acct. Pa Revenue Revenue	Revenue y Acct. Pay Revenue Revenue	Revenue Acct. Pay Revenue Revenue	Revenue Acct. Pay Revenue Revènue	Revenue Acct. Pay Revenue Revenue	Revenue Acct. Pay Revenue Revenue	Revenue Acct. Pay Revenue Revenue		

<sup>\*:</sup> Option-Can book expenses directly to 7710 (Expenses and Revenues) or can book expenses to the appropriate account with the net of revenues and the costs being booked to Account 7110 (See Page 9). You must be able to readily access all detail (Gross expenses and revenues) for each undertaking. Also, the gross revenue amount in Account 7110 will be required for reporting total incidental revenues earned to the FCC.

<sup># :</sup> These are not considered incidental activities but rather recurring activities incurred to provide regulated telecommunications service.

<sup># :</sup> Credit account, investment or expense, originally charged.

subject: Accounting Policy Letter

Type: Strong Recommendation

pete: February 22, 1989

Distribution Lists: Attached

Teleted Letters: APL 300-01

1110

Other: N/A

To: Vice President and Comptroller-South Central Bell and Southern Bell Assistant Vice President and Comptroller - BellSouth Enterprises Comptroller - BellSouth Services

Entition: BSC, SB, SCB, BSE, BSS

Frem: Vice President and Comptroller - BellSouth Corporation

Description: Transmits Accounting Policy Letter (APL) 620-01 documenting BellSouth's policy for recording transfers of assets and services between its regulated and nonregulated affiliates.

Attached is APL 620-01, Affiliated Transactions Vith Regulated Entities. This APL documents BellSouth's policy for valuing: 1) affiliated transfers of assets between (a) Southern Bell (SB) and South Central Bell (SCB) and (b) BellSouth's nonregulated affiliates, and 2) affiliated transactions involving products or services provided to or received from nonregulated affiliates by SB and SCB, and 3) provides guidance on valuing lines of business (LOB) transferred to nonregulated affiliates (out of regulation). Also discussed is the impact of these affiliated transactions on BellSouth's consolidated financial statements.

This APL does not provide guidance for valuing LOBs transferred from a nonregulated affiliate to a regulated carrier (into regulation). Recent transactions involving BellSouth Services, BellSouth Systems Technology, SB and SCB have demonstrated a need for guidance on these transactions. Accordingly, the additional guidance will be provided during the second quarter of 1980.

We would like to express appreciation to the Part X Regulatory Task Force for its development of the BellSouth Statement of Principles Governing Transactions Between Regulated Carriers and Affiliates. Hany of the conclusions reached in that paper have been incorporated into this APL.

Questions by your staff regarding this APL should be directed to Ken Mory at (404) 249-3026 or Dell Coleman at (404) 249-3032.

Patrick H. Casey

Vice President and Comptroller

Attachment

APL 620-01 Page 1 of 18 Issuance: 02/22/89 Effective: 01/01/88

SUBJECT: Affiliated Transactions With Regulated

Entitles

STATUS: New Issue which cancels AR 88-021 and

supersedes A-80 Section IV

ORIGINATOR: Kenneth J. Mory (404) 249-3026

CONTACT: H. Dell Coleman (404) 249-3032

Recommended:

H. Dell Coleman

Staff Manager

Concurred:

Kenneth J. Hory

Operations Manager

Concurred:

. Michael Hostinsky

Assistant Comptroller

Approved:

Patrick H Casey

Patrick H. Casey

Vice President and Comptroller

APL 620-01 Page 2 of 18 Issuance: 02/22/89 Effective: 01/01/88

## Affiliated Transactions With Regulated Entities

## TABLE OF CONTENTS

SECTION		PAGE
1	INTRODUCTION	3
2	PURPOSE	3
3	SCOPE	3
4	GENERAL CONCEPTS	5
5	REQUIREHENTS FOR ASSETS TRANSFERRED BETVEEN REGULATED AND NONREGULATED AFFILIATES	6
6	REQUIREMENTS FOR A LINE OF BUSINESS (LOB) TRANSFERRED TO A NONREGULATED AFFILIATE	10
7	RESERVED FOR FUTURE USE	
8	REQUIREMENTS FOR SERVICES TRANSFERRED BETVEEN REGULATED AND NONREGULATED AFFILIATES	12
9	DOCUMENTATION REQUIREMENTS	14
10	STATE REGULATORY CONSIDERATIONS	16
11	CONSOLIDATION AND TAX CONCERNS	17
	ATTACHMENT 1 DEFINITIONS	

APL 620-01 Page 3 of 18 Issuance: 02/22/89 - = Effective: 01/01/88

#### AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

1. INTRODUCTION

In the Report and Order (R&O) and Order on Reconsideration (OOR), released in CC-Docket No. 86-111, commonly referred to as the Joint Cost Docket or Part X proceeding, the Federal Communications Commission (FCC) amended Part 32, Uniform System of Accounts (USOA) to add Section 32.27, Transactions With Affiliates. This new section prescribes the rules which BellSouth's regulated subsidiaries, Southern Bell Telephone and Telegraph (SB) and South Central Bell Telephone (SCB), must follow when determining the amounts to be recorded in the regulated accounts for transactions involving transfers of assets or services between regulated and nonregulated affiliates.

#### 2. PURPOSE

The purpose of this Accounting Policy Letter (APL) is to provide guidance on accounting for transactions: (1) between the regulated operations of telecommunications carriers with their nonregulated activities, (2) of nonregulated affiliates who transact directly with those carriers, and (3) between nonregulated affiliates or activities if the associated costs are to be transferred into regulation through subsequent transactions. The APL documents the guidance provided by the ad hoc Part X Steering Committee, incorporates the guidance provided by Accounting Ruling No. 88-021 "Transfers of Lines of Business" and documents the guidance BellSouth Comptrollers has provided orally in response to questions from various organizations within BellSouth and its subsidiaries. This APL also incorporates the guidance contained in the statement of principles governing transactions between regulated carriers and affiliates prepared by the Part X Regulatory Task Force and approved by the Part X Steering Committee.

#### 3. SCOPE

The Section 32.27 rules apply to all transactions which involve the 'ranefe' of assets or services between regulated carriers and nonregulated affiliates. Also, these rules apply to the same transactions between nonregulated affiliates if the costs associated with these transactions

APL 620-01 Page 4 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

are subsequently transferred, in whole or part, to the regulated carrier through transactions with nonregulated affiliates. These rules apply regardless of the affiliates' business form (corporation, partnership, joint venture, etc.).

Section 32.27(b) provides the specific guidelines for valuing assets transferred to a regulated carrier (i.e., into regulation) by a nonregulated affiliate. The guidelines for transfers from a regulated carrier (i.e., out of regulation) to a nonregulated affiliate are provided by Section 32.27(c). The guidelines for valuing services provided to or received from a nonregulated affiliate are contained in Section 32.27(d).

In addition, if a carrier engages in a nonregulated activity which does not involve the use of joint and common resources, separate books of account must be maintained for the nonregulated activity. Section 32.23(b) of Part 32 requires the regulated carrier to value assets and resources transferred between this nonregulated activity and the regulated activities by applying the affiliated transaction rules. Accordingly, if two affiliated carriers provide nonregulated activities that do not involve the use of joint and common resources, transactions involving the transfer of assets and resources between the nonregulated activities should be valued as required by Section 32.27(b),(c) and (d) if the associated costs will be transferred, in whole or in part, to the regulated activity in subsequent transactions with the nonregulated activity.

Section 32.27 rules do not apply to transactions between the regulated activities of affiliated carriers. Also, these rules do not apply to transactions between nonregulated affiliates unless the related costs vill be transferred, in whole or in part, to the regulated carrier in subsequent transactions with affiliates. Finally, these rules do not apply to transactions between two affiliated carriers' nonregulated activities unless the associated costs will be transferred, in whole or in part, into regulation through subsequent transactions between a carrier's regulated and nonregulated activities.

The affiliated transaction rules prescribe specific guidelines which the regulated carrier must follow when determining the amount to be recorded in the regulated books of accounts for assets transferred to or received from nonregulated affiliates and for services provided to or received from nonregulated affiliates.

APL 620-01 Page 5 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

The rules are different for transfers of assets and transfers of services between affiliates. Paragraph 91 of the OOR states:

"In formulating the rules, we decided to distinguish between transactions for assets and transactions for services due to the unique considerations presented by each type of transfer."

Accordingly, this APL provides separate guidance for valuing each type of transfer (i.e., assets vs. services). Section 5 addresses the transfer of assets into or out of regulation. Section 6 addresses how the guidelines for valuing assets transferred to a nonregulated affiliate should be applied when a LOB is transferred. Section 7 has been reserved for future use. Section 8 addresses services provided to or received from a nonregulated affiliate.

The APL also provides documentation requirements in Section 9, state regulatory considerations and accounting requirements in Section 10, and financial reporting, consolidation and tax considerations in Section 11. Attachment 1 provides key definitions needed to understand the affiliated transaction rules. The flowcharts in Attachment 2 can be used as a quick affiliated transaction rule reference once the reader has become familiar with the requirements of this APL.

#### 4. GENERAL CONCEPTS

The FCC's Orders in this proceeding place emphasis on protecting ratepayers from providing subsidies to a regulated carrier's nonregulated affiliates. The amendments to Part 32 contained in the appendices to the R&O, and reaffirmed with minor modifications in the OOR. also seek to ensure that transactions between regulated and nonregulated affiliates do not result in subsidies to nonregulated affiliates.

The primary reason for this concern is the FCC's recognition that transactions with affiliates are not conducted at arm's-length. They expressed this concern in the following statements:

"We noted that we have long been concerned with the potential for cross-subsidization that exists when a regulated company deals with nonregulated affiliates in non-arms length transactions." (R&O at Paragraph 284)

APL 620-01 Page 6 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

"...In case of affiliate transactions, incentives are likely to exist to manipulate the transfer price...The carrier simply does not have the incentive to minimize loss in a non-arms length transaction." (OOR at Paragraph 115)

"First it is not clear that we should ever assume that carriers are free to deal at arm's length with their parent corporations, commonly-controlled affiliates, or subsidiaries." (OOR at Paragraph 131)

As a result of the above concerns, the FCC identified goals around which it fashioned the affiliated transaction rules. These goals are to:

- Prevent cost shifting due to improper transfer pricing (R&O at Paragraph 290);
- Prevent shifting of investment risk to the regulated carrier (OOR at Paragraph 109); and
- 3. Protect the ratepayer from the possibility of subsidies to a nonregulated affiliate through below cost transfers (OOR at Paragraph 92).

## 5. REQUIREMENTS FOR ASSETS TRANSFERRED BETVEEN REGULATED AND NONREGULATED AFFILIATES

Section 32.27(b) and (c) provides specific guidelines for valuing asset related transactions with affiliates. These guidelines are different depending on whether the transfer is into or out of regulation as explained below.

## Assets Transferred from Nonregulated Affiliates (Into Regulation)

Section 32.27(b) provides the following guidelines for determining the amount to be recorded in the carrier's regulated accounts for transfers of assets into regulation.

APL 620-01 Page 7 of 18 Issuance: 02/22/89 Effective: 01/01/88

#### AFFILIATED TRANSACTIONS VITH REGULATED ENTITIES

"Charges for assets purchased or transferred to the regulated telephone activity of a carrier from affiliates shall be recorded in the operating accounts of the regulated activity at the invoice price if that price is determined by a prevailing price held out to the general public in the ncimal course of business. If a prevailing price for the assets received by the regulated activity is not available, the charges recorded by the regulated activity for such assets shall be the lover of their cost to the originating activity of the affiliated group less all applicable valuation reserves, or their fair market value."

## Assets Transferred to Nonregulated Affiliates (Out of Regulation)

Section 32.27(c) provides the following guidelines for determining the amount to be recorded in the regulated books for transfers of assets out of regulation.

"Assets sold or transferred from the regulated accounts to affiliates shall be recorded as operating revenues, incidental revenues or asset retirements according to the nature of the transaction involved. If such sales are reflected in tariffs on file with a regulatory commission or in a prevailing price held out to the general public, the associated revenues shall be recorded at the prices contained therein in the appropriate revenue accounts. If no tariff or prevailing price is applicable, the proceeds from such sales shall be determined at the higher of cost less all applicable valuation reserves, or estimated fair market value of the asset."

The above guidelines for each type of transfer can be broken down into a general rule and residual rules. The general rule is that a regulated carrier must value transactions with affiliates involving transfers of assets into or out of regulation at tariff rates or prevailing prices whenever possible. This requirement is intended to produce a result comparable to that which would occur in an arm's-length transaction with nonaffiliated third parties. This requirement is consistent with the goal to limit the potential for cross-subsidization of nonregulated affiliates by the ratepayer.

APL 620-01 Page 8 of 18 Issuance: 02/22/89 Effective: 01/01/88

### AFFILIATED TRANSACTIONS VITH REGULATED ENTITIES

Absent a tariff or prevailing price, carriers must value these transactions by applying the residual rules contained in Section 32.27(b) and (c). These rules require carriers to determine the cost and estimated fair market value (EFMV) of assets sold to or purchased from nonregulated affiliates. These values are compared in order to determine the amount the carrier vill record in its regulated books of account. The value selected vill depend on whether assets are being transferred into or out of regulation. Section 32.27(b) requires regulated carriers to record assets transferred to nonregulated affiliates at the higher of cost or EFMV. However, Section 32.27(c) requires regulated carriers to record assets received from nonregulated affiliates at the lower of cost or EFMV.

The FCC explains its reasons for prescribing inconsistent residual rules at Paragraphs 115 and 116 of the OOR. The Commission's goal is to protect the ratepayer from bearing losses which could result from the transfer of assets out of regulation to nonregulated affiliates. For assets transferred from nonregulated affiliates into regulation, the FCC's goal is to protect ratepayers from rate base inflation due to assets being transferred at artificially high prices.

## Establishment of Transfer Prices for Specific Assets

In order to comply with these requirements. SB and SCB must value assets transferred to nonregulated affiliates at tariff rates or prevailing prices whenever possible. The prevailing price can be used only if that price is in fact paid to the transferring affiliate by nonaffiliated third parties. For example, if a carrier transfers assets to a nonregulated affiliate, the prevailing price must be based on sales to third parties. Conversely, if the nonregulated affiliate is transferring the asset to the carrier, the prevailing price must be based on sales by the nonregulated affiliate to third parties.

Absent a prevailing price, assets transferred must be valued as required by the residual rules. In determining the EFMV, carriers and their nonregulated affiliates may use appraisals, competitive bids, market correct or other appropriate valuation methods. After the EFMV is determined, the carrier would compare this amount to the cost of the asset and apply the residual rules.

Attachment 2, pages 1 and 2, shows the hierarchy that must be followed when applying the asset transfer rules described above.

Betice

APL 620-01 Page 9 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

## Application of Residual Rules to Valuation of Asset Transfers

Application of the above residual rules can result in different transfer prices for the same type asset. For example, if a nonregulated affiliate transfers furniture and office equipment to a carrier under the residual rules and EFMV is lower than cost, the transaction must be recorded at EFMV (Sec. 32.27(b)). Conversely, if the same type furniture and office equipment is transferred from a carrier to a nonregulated affiliate under the residual rule and EFMV is lower than cost, the transaction must be recorded at cost (Sec. 32.27(c)).

Although inconsistent, the FCC requires this application to ensure the ratepayer is protected from the possibility of subsidies to a nonregulated affiliate. However, if a material difference exists between EFMV and cost that results in a transfer being recorded at cost, SB and SCB should request BellSouth Comptrollers to coordinate with Regulatory Matters and Legal the feasibility of filing a Petition for Vaiver (PFV) with the FCC. Such a PFV would request a waiver of Section 32.27(b) or (c) of the Commission's Rules and seek permission to record the transaction at EFMV.

#### Other Considerations

Absent a prevailing price, assets vill be transferred into regulation at the lover of net book cost or EFMV. Accordingly, a write up of assets transferred into regulation would occur only if a prevailing price exists which is higher than net book cost. Conversely, if no prevailing price exists, assets are transferred out of regulation at the higher of net book cost or EFMV. Therefore, a write down of assets transferred out of regulation would occur only if a prevailing price exists which is lover than net book cost.

In most cases, assets vill be transferred under the residual rules. These rules require that assets transferred into regulation be recorded at the lower of net book cost or EFHV and that transfers out of regulation be recorded at the higher of net book cost or EFHV. The write down or write up should be recorded on the books of the selling affiliate. The acquiring affiliate can then record the assets at historical cost with a net book value equal to the value of the assets at determined from application of these rules.

Certain studies, analyses or evaluations will be required to support the cost and EFHV of assets transferred into or out of regulation. In an arm's-length environment, parties to the transaction develop the information required to reach an informed decision on the reasonableness of the price asked by the

344

Datica

APL 620-01 Page 10 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

seller and offered by the buyer. Each party bears the costs of obtaining the required information. Accordingly, if the transfer is out of regulation, the carrier should bear the cost incurred to determine the minimum transfer value (i.e., the determination of the existence of a tariff rate, prevailing price, or in the absence of both, the cost and EFMV of the assets transferred). The nonregulated affiliate should bear the cost of reviewing the supporting information and any additional studies or analyses it may perform to reach an informed decision. Conversely, if the transfer is into regulation, the nonregulated affiliate will bear the cost of determining the maximum transfer value (i.e., the existence of a prevailing price, or in its absence, the cost and EFMV of the assets transferred). The carrier will bear the cost of reviewing this information and the cost of any additional studies or analysis it may require to evaluate the affiliate's proposal.

#### 6. REQUIREMENTS FOR A LOB TRANSFERRED TO A NONREGULATED AFFILIATE

#### General Concept

In order to satisfy the new affiliated transaction rules with respect to the transfer of a LOB, the transfer price must meet two different criteria. First, the transfer of the recorded assets must meet specific accounting guidelines, as discussed in Section 5, with respect to their valuation. These accounting guidelines effectively establish a "floor" price for the transaction. Second, the transfer price of the entire LOB must clearly establish that the transfer does not result in the cross-subsidization of the nonregulated affiliate by the carrier. Therefore, the required transfer price may exceed the valuation of the recorded assets. However, the guidelines for this second criteria are more general in nature and permit carriers some discretion in the overall valuation of the LOB.

To satisfy this second criteria, with respect to a LOB, the carrier must demonstrate that its valuation of all "LOB" assets does not result in cross-subsidization. Carrier discretion in this overall valuation results from the FCC not providing specific guidelines for the identification and valuation of assets if the costs of the assets are not recorded in the regulated account In fact, the FCC did not intend, in this proceeding, to provide specific intervaluing these assets. Paragraph 41 of the R&O states:

APL 620-01 Page 11 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

"Ve also decline to expand this proceeding to address allocation of intangible benefits and of increases in the cost of capital which may occur due to carrier diversification. Both of these matters are outside the scope of our NPRH and would be better addressed in separate proceedings or in connection with rate of return prescriptions."

However, the FCC makes it clear that the value of intangible benefits transferred to nonregulated activities will be considered in other proceedings.

## Establishment of the LOB Transfer Price

To comply with the new affiliated transaction rules, the final transfer price of the LOB must satisfy both the specific guidelines related to the transfer of the recorded assets and the general guidelines related to . establishing the absence of cross-subsidization. In actual practice, this is accomplished by choosing the higher of:

- 1. the Section 32.27(c) valuation of recorded assets, or
- the comprehensive valuation of the entire LOB.

A carrier must value the individual recorded assets based on the specific guidelines contained in Section 32.27(c) to establish a "floor" or Minimum Transfer Value (MTV).

Although the FCC is permitting some discretion as to the valuation of an entire LOB, carriers can expect the FCC to test for cross-subsidization by comparing the value assigned to a LOB transferred to a nonregulated affiliate against the goals underlying the affiliated transactions rules discussed in Section 4. In order to meet this test, a comprehensive valuation of the LOB is necessary.

In making the comprehensive valuation of the entire ton, due entorms to taken to identify and value any intangibles that may exist. Because of the nature of the regulatory process, the valuation process should include an evaluation of the net change in revenue requirements associated with the low that is to be transferred. Any net change in revenue requirements should be considered in the final transfer price. Additional analytical studies such as appraisals, comparable sales, and capitalization of income may also be required in order to do the comprehensive valuation of the entire LOB.

APL 620-01 Page 12 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS VITH REGULATED ENTITIES

These valuations, together with the Section 32.27(c) valuation previously outlined, provide the necessary information to comply with the FCC rules for recording affiliate transactions in the regulated books of account.

The hierarchical requirements for applying the Section 32.27(c) rules to a LOB transferred out of regulation are shown on pages 3 and 4 of Attachment 2.

## Application of Section 32.27(c) Rules to the Transfer of an LOB

As discussed in Section 5 above, assets transferred out of regulation cannot be recorded below the MTV which results from the application of Section 32.27(c). This applies whether the transaction involves the transfer of individual assets or assets transferred with a line of business. Accordingly, a LOB transferred out of regulation cannot be recorded in the regulated accounts below the Section 32.27(c) value of the recorded assets.

Although inconsistent, the FCC requires this application to ensure the ratepayer is protected from the possibility of subsidies to a nonregulated affiliate. However, if a material difference exists between market value and cost that results in a transfer being recorded at cost, SB and SCB should request BellSouth Comptrollers to coordinate with Regulatory Matters and Legal, the feasibility of filing a Petition for Vaiver (PFV) with the FCC. Such a PFV would request a vaiver of Section 32.27(c) of the Commission's Rules and seek permission to record the transaction at the LOB market value.

As discussed in Section 5 "Other Considerations", each party should bear the costs of valuation studies used by that party to establish the market value of the LOB (i.e., the cost of the net change in revenue requirements study by the regulated carrier).

## \* 8. REQUIREMENTS FOR SERVICES TRANSFERRED BETWEEN REGULATED AND NORREGULATED AFFILIATES

The specific guidelines for determining the amount to be recorded in the regulated accounts for services a carrier provides to or receives from its nonregulated affiliates as contained in Section 32-27(d) are:

APL 620-01 Page 13 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

"Services provided to an affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Services provided by an affiliate to the regulated activity, when the same services are also provided by the affiliate to unaffiliated persons or entities, shall be recorded at the market rate. When a carrier provides substantially all of a service to or receives substantially all of a service from an affiliate which are not also provided to unaffiliated persons or entities, the services shall be recorded at cost which shall be determined in a manner that complies with the standards and procedures for the apportionment of joint and common costs between the regulated and nonregulated operations of the carrier entity."

The above guidelines have the same structure as the guidelines for asset transfers (i.e., there is a general rule and a residual rule). The FCC structured the rules in this manner to ensure that ratepayers do not cross-subsidize nonregulated affiliates. Therefore, when the carrier provides services to a nonregulated affiliate and the service is tariffed or provided at arm's-length to third parties, the carrier must record the transaction at the tariff or market rate. Likewise, when a nonregulated affiliate provides a service to a regulated carrier and the service is also provided at arm's-length to third parties, the carrier must record the transaction at the market rate. If a tariff or market rate does not exist for services provided to or received from a nonregulated affiliate, the residual rule requires the carrier to record the transaction at cost. This rule requires a carrier and its nonregulated affiliate to measure the cost of these services by applying the standards and procedures for apportionment of joint and common costs prescribed by Section 64.901.

In the Report and Order, at Paragraph 294, the FCC States:

"Our review of the comments herein convinces us that this Commission should distinguish between asset transfers and the provision for services and supplies."

This statement expands the definition of services to include products and supplies purchased for inventory and for immediate consumption by the carrier in its day-to-day operations. Therefore, in this APL, "services" will be defined accordingly.

APL 620-01 Page 14 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS VITH REGULATED ENTITIES

The Section 64.901 costing standards require that costs be assigned between regulated and nonregulated activities using the attributable cost method of cost allocation. Simply said, it requires using cost-causative measures of use to the maximum extent possible. When valuing transactions under the residual rule, these costing standards must be applied in the order listed below.

- 1. Directly assign the costs of all resources used exclusively (dedicated) for the provision of services to the affiliate.
- Directly attribute joint and common costs between services based on direct cost-causative measures of use to the maximum extent possible.
- 3. <u>Indirectly attribute</u> the remaining joint and common costs between services based on their linkage to costs directly assigned or attributed to the maximum extent possible.
- 4. Unattributable common costs should be identified and allocated based on the relationship of total costs assigned and attributed to a service to the total company costs assignable and attributable to all services.

The required hierarchical application of this general and residual rule is shown at pages 5 and 6 of Attachment 2. In applying these rules, the carrier and its affiliates will quantify the return on investment and apportion that cost following the above hierarchy. For this purpose, a carrier and its affiliates should use the FCC authorized rate of return.

APL 300-01 provides guidance on how miscellaneous services provided to or received from an affiliate should be recorded in the regulated books of account.

#### 9. DOCUMENTATION REQUIREMENTS

During rate proceedings, FCC and state regulatory commission compliance audits and attestation audits, SB and SCB will be required to demonstrate compliance with the rules for affiliated transactions contained in Section 32.27 of Part 32. This section of the APL describes the supporting

APL 620-01 Page 15 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

documentation which should be obtained by the Comptroller organizations of each entity at the time transactions with affiliates are booked in the regulated accounts.

## Specific Assets Transferred Between Regulated and Nonregulated Affiliates (Into and Out of Regulation)

Support for specific assets transferred should include:

- 1. Tariff rates a copy of the applicable tariff(s).
- Prevailing price a copy of the price list together with the list
  of third party transactions relied on to establish the prevailing
  price.
- EFMV include the method used and a copy of any studies performed to establish EFMV (appraisals, market surveys, competitive bids, etc.).
- 4. Cost include the method of determination and the value at which the transaction is booked in the regulated accounts.

### Transfers of LOBs to Nonregulated Affiliates

The value assigned a LOB transferred out of regulation must satisfy the FCC's policy guidelines regarding shifting of costs, investment risk and cross-subsidization through below-cost transfers. Therefore, the supporting documentation should include studies showing:

- 1. The HTV of the assets transferred under Section 32.27(c) of the affiliated transactions rules,
- The impact of the transfer on the carrier's revenue requirements, and
- 3. The market value of the entire line of business, including intangibles, to the nonregulated affiliare.

Comparison of the results of the above studies to the Section 32.27(r) MTV of the assets transferred will provide each Comptroller with the support required to prove the transaction was valued and recorded in compliance with the requirements of the FCC.

APL 620-01 Page 16 of 18 Issuance: 02/22/89 Effective: Q1/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

# Services Provided To or Received From Nonregulated Affiliates by a Regulated Carrier

The supporting documentation for services provided to or received from nonregulated affiliates should include:

- 1. Reference to the specific FCC or state commission tariff, if a tariff rate exists for services provided to nonregulated affiliate.
- Reference to the list of third party transactions relied on to establish the market rate, if this method is used to value the services provided to or received from nonregulated affiliates.
- 3. Reference to the documentation which shows costs are apportioned to these services in a manner that complies with the costing standards contained in Section 64.901, if the residual rule is used to value services provided to or received from nonregulated affiliates.

The Comptroller organizations of each entity (regulated carrier and nonregulated affiliate) should retain copies of the above documentation for review by Commission auditors and by the external auditor engaged to perform the attestation audit required by the FCC (R&O at Paragraph 256). BellSouth Comptrollers should be kept informed as to pending transactions and consulted in unusual circumstances.

#### 10. STATE REGULATORY CONSIDERATIONS

For ratemaking purposes, state regulatory agencies may require a different valuation for assets transferred out of or into regulation. LOBs transferred out of regulation and services provided to or received from a nonregulated affiliate by the regulated carrier. If such differences occur, they must be accounted for by recording the differences in the appropriate jurisdictional asset, liability or income accounts. These jurisdictional accounts are:

32.1500 - Other jurisdictional assets - net

32.4370 - Other jurisdictional liabilities and deferred credit - net

32.7910 - Income effect of jurisdictional ratemaking differences - net

APL 620-01 Page 17 of 18 Issuance: 02/22/89 Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

The above accounts are to be used to record the effects of state ratemaking practices that result in the same costs being recovered in part or in whole during time periods different from the period that recovery is allowed by the FCC. These accounts are not intended to be used for costs disallowed by a State Commission but allowed by the FCC or vice versa. Likewise, imputation of revenues by State Commissions (i.e., royalties) not imputed by the FCC or vice versa, are not to be recorded in these accounts. Since these permanent differences are reflected in rates, they in essence represent proforma adjustments that are tracked in subsidiary information records and considered only in rate proceedings before the Commission that is proposing the disallowance or imputation.

#### 11. CONSOLIDATION AND TAX CONCERNS

BellSouth files consolidated financial statements with the Securities and Exchange Commission, shareholders, stock exchanges, etc. These statements are designed to present the consolidated results of operations and the financial position of BellSouth and its subsidiaries as one entity. Therefore, the consolidated statements should only reflect activity with nonaffiliated entities except for intercompany profits on sales of assets to regulated operations of a carrier by nonregulated affiliates. SFAS 71 allows this profit to remain in the regulated accounts for external reporting purposes.

The presence of affiliated transactions complicates the consolidation process in that generally these intercompany transactions must be eliminated. For example, although there are special rules for sales to regulated operations, intercompany sales between affiliates must be identified and eliminated since BellSouth cannot reflect revenues from selling to itself. Likevise, the basis of assets cannot be increased or decreased in the consolidated statements due to intercompany transfers.

Accordingly, this APL incorporates the current requirement that all transactions between affiliates (sales of products and services, transfer of assets, etc.,) be reported to the BellSouth Comptrollers Securities and Exchange Commission Compliance and External Reporting District in the same month the transaction is reflected in the books of account. This interim requirement will be deleted when a final APL covering affiliated billing and consolidation is released.

---

APL 620-01 Page 18 of 18 Issuance: 02/22/89 > Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

Consideration must also be given to any tax consequences associated with assets transferred or new services to be provided into or out of regulation. Accordingly, all such transactions should be reviewed by BellSouth's Tax Department to assure any tax consequences associated with these transactions are appropriately considered.

Bellsouth Corporation except under written agreement.

APL 620.01 Page 1 of 4 Issuance: 02/22/89 Effective: 01/01/88

Attachment 1

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

#### DEFINITIONS

Affiliates - Business entities regardless of legal form that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the accounting company.

<u>Allocation</u> - As used in BellSouth, this term describes the methodology used to distribute costs between all products, services or other cost objectives in the absence of direct or indirect measures of use.

Apportionment - As used in the JCO, this term describes generically all methodologies employed to distribute the total cost of an entity's resources between regulated and nonregulated activities, products and services.

<u>Arm's-Length</u> - Describes transactions involving the purchase, sale or use of resources at prices mutually agreed to by two or more unaffiliated business entities free to act in their own best economic interest.

Asset - Defined by the Financial Accounting Standards Board as probable future economic benefits that can be obtained or controlled by a particular enterprise as a result of past transactions or events affecting the enterprise. Defined by the FCC as any item that would be recorded in an investment account of the regulated carrier (R&O at footnote 466).

Asset Transfer - As used in this APL, describes transactions between affiliates involving the purchase and/or sale of assets, including the related valuation reserves (i.e. depreciation, deferred taxes and investment credit).

Attest Audit - An attest audit is one in which a practitioner is engaged to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party. In the context of this APL, it is the audit that the FCC requires independent auditors to perform to ensure the carriers' cost allocations are being performed consistent with their Cost Allocation Hanual (CAM) approved by the FCC (R&O at Para 254).

Common Cost - As used in this APL, describes the amount recorded for resources that cannot be directly assigned to either a regulated or nonregulated activity or to services and products transferred between affiliates.

APL 620-01
Page 2 of 4
Issuance: 02/22/89
Effective: 01/01/88

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

Control - The possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract, or any other direct or indirect means.

Cost - Expenditures for resources, measured in terms of dollars, incurred to provide services, products or achieve other final objectives. As used in the FCC Affiliated Transactions rules, this term has two different meanings. For assets transferred into or out of regulation, cost is defined as the gross amount recorded in the plant accounts of the originating entity less depreciation, deferred income taxes and investment tax credit. For services provided to or received from an affiliate, cost is defined as the fully distributed direct and common expenses incurred plus the authorized return on investment used to provide the service(s).

Cross-Subsidization - Financial or operating assistance provided to one entity (service) by another at less than full cost. In terms of the JCO, having telephone customers pay more than their fair share for the services to which they subscribe. Cross-subsidization can result either from improper allocation of common costs or from improper transfer pricing of services and assets provided by one affiliate to another.

<u>Direct Assignment</u> - Describes the costing methodology used to distribute the cost of resources used exclusively (dedicated) for a particular activity to the specific output produced by that activity.

<u>Direct Attribution</u> - Describes the costing methodology used to distribute the cost of resources for which a direct measure of cost causation exists.

Estimated Fair Market Value (EFMV) - A phrase used to describe the valuation procedure a carrier or its affiliate must employ to evaluate the correct of assets transferred into or out of regulation. EFMV can be based on appraisals, market surveys, competitive biddings. etc.

Expense - The costs of resources consumed in the process of producing current period revenue. Expenses are outflows or other using up of assets or incurrences of liabilities or a combination of both during a period to carry out activities that constitute an enterprise's ongoing operations.

APL 620-01 Page 3 of 4 Issuance: 02/22/89 Effective: 01/01/88 Attachment 1

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

Expenditure - The incurring of a liability, payment of cash or transfer of property for the purpose of acquiring assets, services or the settlement of a loss.

Fully Attributable Costing - The hierarchical process prescribed by the FCC to apportion expenditures for resources, recorded in the regulated accounts, between a carriers regulated and nonregulated activities. This process uses fully allocated costing and cost-causation principles to assign or attribute cost to regulated and nonregulated objectives.

Indirect Attribution - Describes the methodology employed to apportion the costs of resources that cannot be directly assigned or directly attributed between products, services, or other cost objectives. The costs of these resources must be attributed based on indirect measure(s) of cost-causation.

Intangible Assets - The value of economic benefits associated with a company, product or service having no physical existence (license, certificate, patent, etc.). Normally, this value is not realized until a business entity or segment is sold at arm's-length.

Line of Business - A product or service or group of products and services identified, managed and monitored separately as a profit, contribution, or cost center. As used in the JCO, LOB also includes any activity for which the company intends to increase resources as needed to meet market demand.

<u>Market Rate</u> - As used in the JCO, the price charged the general public by the selling affiliate for the same or similar <u>products</u> and <u>services</u> provided to other members of affiliated group.

<u>Prevailing Price</u> - The amount charged at arm's-length for individual <u>assets</u> which are the same or similar to assets transferred between a regulated carrier and its nonregulated affiliate.

<u>Services</u> - As used in the FCC rules and this APL. also refers to products and supplies.

<u>Substantial</u> - The term substantial, as used in this APL, is the same whether used in context of assets or services. Substantial implies that a home fide business relationship exists. It should be characterized by recurring transactions, of the type, frequency and amount that normally occur in arms-length business relationships.

APL 620-01 Page 4 of 4 Issuance: 02/22/89 Effective: 01/01/88

Attachment 1

## AFFILIATED TRANSACTIONS WITH REGULATED ENTITIES

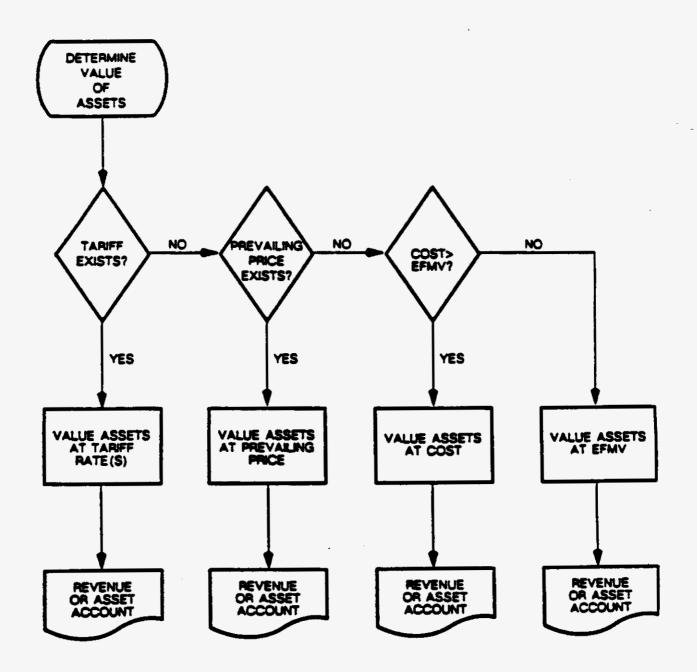
Third Party - A term used to indicate a person or entity that is not directly or indirectly under the control of the entity with which the transaction is being conducted.

<u>Unattributable</u> - Describes the methodology employed to allocate costs of resources that cannot be distributed between products, services, or other cost objectives on a cost-causational basis.

APL 620-01

Page 1 of 6 Issuance: 02/22/89 Effective: 01/01/88 Attachment 2

### ASSETS TRANSFERRED BY REGULATED CARRIERS TO **NONREGULATED AFFILIATES**

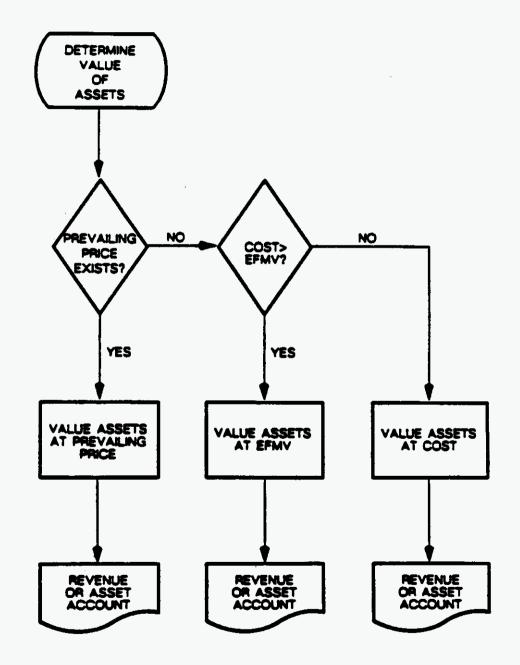


#### PROPRIETARY

THE INFORMATION CONTAINED HEREIN WAS PROVIDED UNDER PROTECTIVE AGREEMENT AND SHOULD NOT BE DISCLOSED TO PERSONS WHO DID NOT SIGN THE PROTECTIVE AGREEMENT

APL 620-01 Page 2 of 6 Issuance: 02/22/89 Effective: 01/01/88 Attachment 2

# ASSETS TRANSFERRED TO REGULATED CARRIERS BY NONREGULATED AFFILIATES



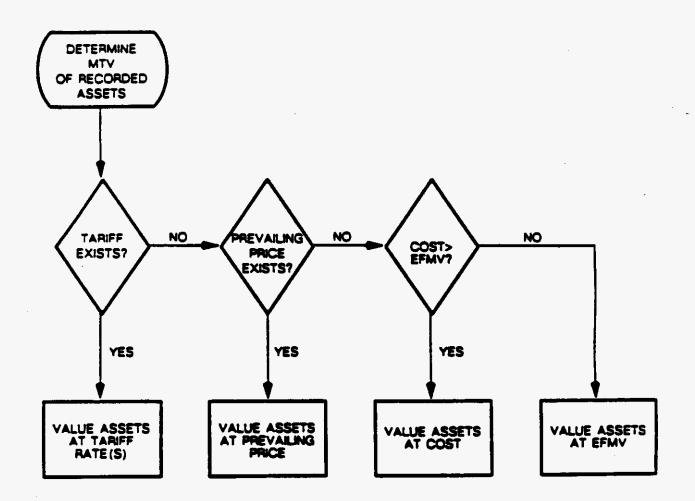
#### / PROFRIETARY

THE THFORNATION CONDAINED HERE'N WAR PROVIDED UNDER PROVINCED OF AGEARMENT AND INCHES NOT BE DESCRIBED TO PERSONS VINCUED BUT DESCRIBED PROTECTIVE ACCEPPENT

APL 620-01 Page 3 of 6 Issuance: 02/22/89 Effective: 01/01/88

Attachment 2

### MINIMUM TRANSFER VALUE (MTV) OF A LINE OF **BUSINESS (LOB)**

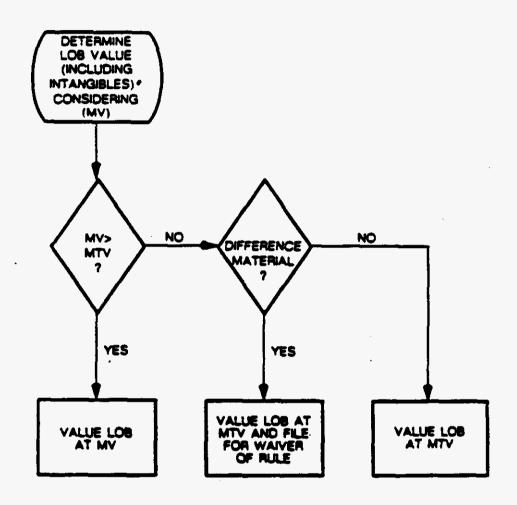


### PROPRIETARY

THE INFORMATION CONTAINED HEREIN WAS PROVIDED UNDER PROTECTIVE ASRESMENT AND SHOULD NOT BE DISCLOSED TO PERSONS THO DID NOT SIGN THE PROTECTIVE AGREEMENT

APL 620-01 Page 4 of 6 Issuance: 02/22/89 Effective: 01/01/88 Attachment 2

# VALUATION OF ALL ASSETS, INCLUDING INTANGIBLE ASSETS, TRANSFERRED WITH A LINE OF BUSINESS (LOB) CONSIDERING MARKET VALUE (MV)



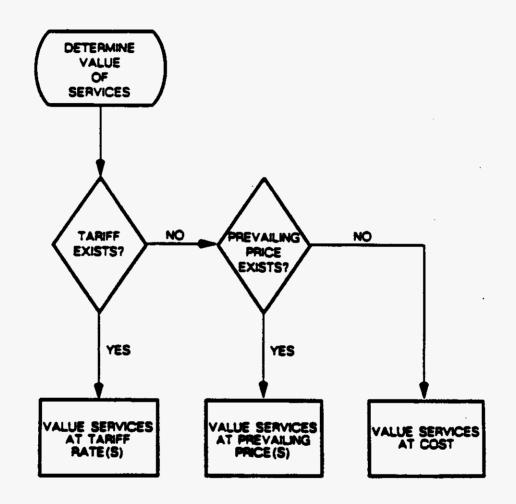
NOTE: IN ORDER TO COMPLY WITH THE GUIDELINES
FOR ESTABLISHING THE ABSENCE OF CROSSSUBSIDIZATION CONSIDERATION MUST BE GIVEN
TO INTANGIBLES WHEN DETERMINING THE VALUE
OF THE LOS TRANSFERRED.

#### PROPRIETARY

TEN 11000844TINI GINTAIN O ITTORIH FAD PTOTTORD NAMEN PROUD (IN 1001 MERENT ARM SHOULD HOLD BORDING SERVI) ( ESBONE NEW DID HOLDING INF PROLEDUZINE AGERNADE

APL 620-01 Page 5 of 6 Issuance: 02/22/89 Effective: 01/01/88 Attachment 2

# SERVICES PROVIDED BY REGULATED CARRIERS TO NONREGULATED AFFILIATES

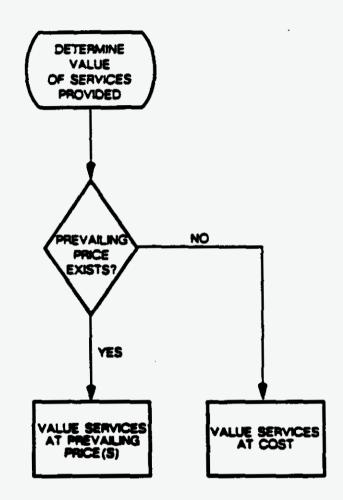


#### PROPRIETARY

THE INFORMATION CONTAINED SERVIN WAS PROVIDED UNDER PROTUCTIVE AGREEMENT AND SHOULD NOT HE DISCLOSED TO PERSONS THE DID NOT SIGN THE PROTECTIVE AGREEMENT

APL 620-01
Page 6 of 6
Issuance: 02/22/89
Effective: 01/01/88
Attachment 2

## SERVICES PROVIDED TO REGULATED CARRIERS BY NONREGULATED AFFILIATES



#### PROPRIETARY

THE INFORMATION CONTINUES CONTINUES ENGLISH EACH FRONT DESCRIPTION OF THE PROPERTY OF CLASSICS AND EXCHANGE THE CONTINUES OF THE PROPERTY OF T

subject: Revised Accounting Policy Letter 610-02

Type: Request for Information

Date: December 18, 1989

Distribution Lists: Attached

Teleted Letters: Accounting Policy Letters 610-01 and 620-01

other: BellSouth Corporate Plan

To: Vice President and Comptroller - Southern Bell and South Central Bell Assistant Vice President and Comptroller - BellSouth Enterprises Comptroller - BellSouth Services

Entition: BSC, SB, SCB, BSE, BSS

From: Vice President and Comptroller - BellSouth Corporation

Description: Transmits revised BellSouth Accounting Policy Letter (APL) 610-02, Comptrollers Responsibilities for Matters Pertaining to the Joint and Common Cost Order

The revised APL 610-02 is attached in its entirety. The schedule for updating BellSouth's Cost Allocation Manual has changed to allow a formal comment period before CAM revisions are final. Pages 7, 8, and 9; Attachment B pages 3, 4, 5, 6, and 7; and all of Attachment C of APL 610-02 are amended for this change. Also, page 11 is revised to correct the title of FCC 43-03 Joint Cost Report.

Questions by your staff regarding this revised APL should be directed to Lyn Rogers-Haney (404)249-3033 or Frances Dennis (404)249-3026.

Patrick H. Casey

Vice President and Comptroller

Attachment

APL 610-02 Page 1 of 18 Revised : 12/31/89 Effective: 01/01/89

SUBJECT:	APL 610-02 Comptro for Matters Pertai Common Cost Order	llers Responsibilities ning to the Joint and		
STATUS:	Revision	· · · · · · · · · · · · · · · · · · ·		
ORIGINATOR:	Frances E. Dennis (404) 249-3026			
CONTACT:	Lyn Rogers-Haney (	404) 249-3033		
	*			
		• • •		
Recommended:		Concurred:		
Type Rogers-H. Staff Hanage		Frances E. Dennis Operations Manager		
Concurred:		Approved:		
J. Michael H Assistant Co		Patrick H. Casey Vice President and Comptroller		

APL 610-02 Page 2 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST OFFICE

#### TABLE OF CONTENTS

SECTION		PAGE
1.	Introduction	3
2.	Purpose and Scope	3
3.	Requirements for the Adoption of New Products and Services	4
4.	Requirements for Updating BellSouth's Cost Allocation Manual	6
5.	Requirements for External Accounting Plans	10
6.	Reporting Requirements	11
7.	Monitoring Requirements	14
8.	Interdepartmental Responsibilities	
	Attachment A - Glossary	
	Attachment B - Appendix Legend	
	Attachment C - Reporting Schedule	

APL 610-02 Page 3 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

• • •

#### 1. INTRODUCTION

On February 6, 1987, the Federal Communications Commission (FCC) released the Report and Order on Joint and Common Cost (JCO), CC Docket No. 86-111, previously referred to as Part X. In general, the JCO, as amended by the Order on Reconsideration released October 16, 1987, prescribes cost allocation standards that a regulated carrier must use to separate costs between regulated and nonregulated activities when its resources are jointly used to provide nonregulated products or services. The JCO also prescribes certain affiliated transaction requirements for the regulated carrier in dealing with its nonregulated affiliates.

To help ensure awareness, and to promote compliance with the JCO's requirements, the Vice President - Senior Financial Officer of BellSouth Corporation (BSC), acting in his capacity as the Part X Steering Committee Chairman, issued the BellSouth Corporate Plan (Plan) on November 6, 1987 (APL 87-11-017bs). The Plan provides a framework for BellSouth and all of its subsidiaries to use in complying with the JCO's requirements. More specifically, the Plan assigns the responsibility for complying with the JCO's requirements to the appropriate BellSouth organizations, and calls for specific incorporation of the Plan's requirements into departmental practices and procedures. Accordingly, the plan was approved by the JCO Regional Steering Committee in 1987 who accepted responsibility for integrating the appropriate plan sections into their departmental practices and procedures.

#### 2. PURPOSE AND SCOPE

The purpose of this Accounting Policy Letter (APL) is to assign and document specific responsibilities that each Comptrollers organization in BSC. BellSouth Enterprises (BSE), BellSouth Services (BSS), Southern Bell (SB), and South Central Bell (SCB) has in complying with the plan. The provisions of this APL should be incorporated into the specific departmental practices and procedures of the affected organizations to ensure full awareness and promote compliance with the JCO's requirements. The responsibilities are grouped along the categories of New Products and Services, Updates to the BellSouth Cost Allocation Manual (CAM), Accounting Plans, Reporting, Monitoring, and Interdepartmental Responsibilities.

APL 610-02 Page 4 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

This APL is one of three APLs written to specifically address concerns related to the JCO. The other APLs address the specific requirements of the JCO - Joint Cost Allocation (610-01), BellSouth Corporation Corporate Functions Cost Allocations Policy Guide (610-03), and Affiliated Transactions with Regulated Entities (620-01). With the publication of these three APLs, the fundamental Comptrollers responsibilities and required actions relating to the JCO are defined and documented. However, future APLs covering other JCO accounting topics will address any related responsibilities.

The requirements of the JCO apply to SB, SCB, BSS, other SB and SCB subsidiaries, BSC, BSC subsidiaries (i.e., Capital Funding and BellSouth D.C.), BSE, and BSE subsidiaries involved in asset transfers or receiving products and services from or providing products and services to SB or SCB.

#### 3. REQUIREMENTS FOR THE ADOPTION OF NEW PRODUCTS AND SERVICES

The introduction of new products and services within the regulated subsidiaries is accomplished through interdepartmental groups within BSS, SB, SCB as directed by their respective Marketing and Network organizations. BSS Comptrollers should assist the various product managers in determining if, and to what extent, the potential product or services (products) would be impacted by the JCO and documenting an audit trail of significant decisions to provide information for future internal and external audits. BSS Comptrollers should provide a monthly status report for all newly proposed or changes in proposed nonregulated products to BSC, SB, and SCB Comptrollers by the 10th workday after the end of the month. See Attachment C. Reporting Schedule, for a summary of due dates.

BSS Comptrollers is responsible for coordinating the evaluation of existing cost pool configurations, accounts and subsidiary record categories, job function codes, Cost Separation System (CSS) requirements, monthly reports, etc., in light of the proposed product and its proposed accounting treatment. BSS Comptrollers vill then recommend appropriate CAM revisions to BSC Comptrollers for their concurrence. BSS Comptrollers vill coordinate all necessary changes to cost pools, accounts, job function codes, CSS, etc., vith BSS Information Systems and other affected departments (i.e., Budgets, Financial Management, Human Resources, Marketing, etc.). BSS Comptrollers vill also update classification letters and other JCO compliance documentation to apprise all users of the changes. BSC, SB, and SCB Comptrollers vill evaluate the changes in light of federal

APL 610-02 Page 5 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

regulatory requirements respectively, and determine if any corresponding action is necessary (i.e., contacts with the public service commission staffs (PSC), changes to internal operations, etc.). See Attachment B - Appendix A1 for flow chart of activities.

BSC Comptrollers is responsible for informing BSS Comptrollers of new nonregulated products created via an FCC Order, possible JCO impacts, and corresponding FCC submission requirements schedule by the 5th workday following receipt of the FCC Order. BSS Comptrollers will then work with the interdepartmental product teams, as with any other new product, to determine the extent of JCO impacts and to compile a detailed audit trail of significant decisions. See Attachment B - Appendix Al for flow chart of activities.

Proposed products that involve nonregulated affiliates require additional evaluations of transfer price and supporting accounting systems. It is SB and SCB Comptrollers' responsibility to ensure that transfers of products or services between SB, SCB, and their nonregulated affiliates are journalized on the regulated books of account as prescribed by the JCO. For sales or transfers into regulation, SB and SCB Comptrollers should document whether the transfer price is a market price or based on the nonregulated affiliate's cost. The documentation should clearly state that the lower of cost or market was used. Market price must be determined based on the nonregulated affiliate's having a bona fide market with actual sales to unaffiliated third parties, as documented more fully in APL 620-01. A cost-based transfer price into regulation must be determined in compliance with the "residual rules" of the JCO as explained fully in APL 620-01 and APL 610-01.

BSE Comptrollers must ensure that any nonregulated subsidiary doing business with SB, SCB, or any other nonregulated affiliate involved in any tiered nonregulated transactions for which the final product may be charged to the regulated subsidiaries (chaining affiliated transactions) which does not have a bona fide market for its products has an accounting system which will support a cost-based transfer price in compliance with APL 620-01. Accordingly, the BSE subsidiary Comptrollers' organization billing to SB, SCB, or any other nonregulated subsidiaries involved in a chaining affiliated transaction must ensure that all applicable JCO documentation is submitted with the bill to provide the appropriate audit trail for these transactions. Such documentation should include support for the existence of a bona fide market price or the appropriate use of fully distributed costing. SB and SCB Comptrollers are responsible for documentation for all

APL 610-02 Page 6 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

affiliated transactions, both billed from and billed to nonregulated affiliates. Accordingly, all documentation necessary to comply with these guidelines should be retained for one year after the close of the calendar year which the associated transaction occurs.

Nonregulated activities within SB and SCB which do not involve the joint or common use of assets and resources will use Account 1406, Nonregulated Investment, and Account 7990, Nonregulated Net Income, as prescribed by Part 32 - Uniform System of Accounts. Part 32 mandates that the affiliated transaction rules of the JCO be applied fully to transactions involving the transfer of assets and the sale of products between such nonregulated activities and regulated activities. Upon development of an Account 1406 and Account 7990 nonregulated activity, BSS Comptrollers would be responsible for developing an internal accounting plan which would outline the appropriate methods and procedures and detail records necessary for accounting, reporting, and monitoring such activities. The Accounting Plan should be provided to BSC, SB, and SCB Comptrollers for concurrence prior to implementation.

#### 4. REQUIREMENTS FOR UPDATING BELLSOUTH'S COST ALLOCATION MANUAL

The CAM was filed with the FCC with the knowledge that subsequent circumstances would require formal updates. As indicated in the BellSouth Corporate Plan, the CAM must be updated to incorporate:

- a) changes involving incidental activities.
- b) the addition of a new nonregulated product within SB or SCB.
- the addition or deletion of affiliates or transactions with affiliated companies,
- d) a change in the nature of business conducted by an affiliate with SB and SCB.
- e) cost pool and apportionment changes,
- f) time reporting changes, and
- g) changes in FCC requirements.

Accordingly, cost pool and time reporting changes must be filed with the FCC sixty days prior to the effective implementation date of the revisions.

APL 610-02 Page 7 of 18 Revised : 12/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

Changes to affiliated transactions or other sections to the CAM must be filed with the FCC on a timely basis, normally with quarterly CAM revision filings. Quarterly CAM revisions are required for changes made for other purposes (i.e., text clarification).

SB and SCB Comptrollers should notify BSS Comptrollers of any potential changes that would require updates to the CAM for cost pools, or nonregulated service or affiliated transactions descriptions. Accordingly, BSS Comptrollers is responsible for communicating these same type of changes to BSC Comptrollers. The Contract Administration group in BSS is responsible for informing BSS Comptrollers of significant changes in billing activity between SB, SCB and their nonregulated affiliates by the twelfth workday of the second month of each quarter; thereby, notifying BSS Comptrollers of required updates to the Statement of Affiliates Engaging in Transactions with the Carrier Entities within the CAM for changes in affiliated transactions for products provided to SB and SCB nonregulated affiliates. APL 610-01 and APL 620-01 (as amended or clarified by future policy directives) provides policy guidance to be followed when drafting the CAM revisions. The "Part X Allocation of Joint and Common Costs Implementation Concepts and Guidelines" (JCO Concepts and Guidelines), included in Section II of Classification Letter 10-03, provides additional guidance for drafting the CAM revisions and modifying systems to implement the rules prescribed by JCO. BSS Comptrollers is responsible for updating the JCO Concepts and Guidelines when necessary.

BSS Comptrollers, BSE Comptrollers, and BSC departments and subsidiaries should notify BSC Comptrollers of any potential changes in affiliated transactions for products provided to SB and SCB which would require updates to the Statement of Affiliates Engaging in Transactions with the Carrier Entities within the CAM. See Attachment B - Appendix Al for flow chart of activities.

BSC Comptrollers is responsible for maintaining a regional list of affiliates for inclusion in the CAM. (Note: The Secretary of BSC has the responsibility of providing additions to and deleting from the list of BellSouth affiliates to BSC Comptrollers on a quarterly basis.) However, BSE Comptrollers should alert BSC Comptrollers to any upcoming changes in BSE's affiliates' organizational structure. Such organizational structure changes could require extensive research and subsequent changes to the affiliated transactions descriptions, as well as the BellSouth Corporate

\* Text Change

APL 610-02 Page 8 of 18 Revised : 12/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

Structure chart. Also, an organizational restructuring may require changes to CAM cost pools. BSS Comptrollers has similar responsibilities for changes in the organizational structure of BSS, SB, SCB, and their affiliates. Furthermore, BSC Comptrollers will be responsible for itself and any other of its affiliates, other than those already listed.

In the event that the FCC issues an order which relates to the BellSouth CAM, BSC Comptrollers will be responsible for informing the Comptrollers organizations in BSE, BSS, SB, and SCB. The order will be evaluated by BSC Comptrollers to determine if it provides for 1) the deregulation of an existing service and requires accounting changes or 2) ordered CAM revisions. If the deregulation of a service is mandated, BSS Comptrollers vill meet with the LOB product advisory team and the process will proceed from that point as with any other new product, providing the FCC's filing deadline permits time for normal processing. Should the FCC's filing deadline not allow time for normal product team study and processing, BSS Comptrollers vill ensure that research and methods implementation are performed as thoroughly as possible in the time allowed. If the order requires CAM revisions or explanations of existing documentation within the CAH, BSC Comptrollers will analyze the requirements and call together a CAH task force for research and preparation of the required changes where applicable. The CAM task force vill submit resulting CAM revisions to the Steering Committee for review and approval. Upon receipt of approval from the Steering Committee, the CAN revisions will be handled as all CAN changes are handled. See Attachment B - Appendix A2 for flow chart activities.

Changes to the time reporting section of the CAM will be driven by BSS Comptrollers, unless mandated by the FCC via an order; whereby, the change will be handled by the task force as outlined in the previous paragraph. In the event BSS Comptrollers instigates the time reporting change, BSS Comptrollers will prepare the appropriate documentation for the CAM revision for transmittal to BSC Comptrollers. BSC Comptrollers will inform BSC departments and direct report subsidiaries, and BSE Comptrollers of any needed changes to their time reporting methods and procedures as a result of these revisions. Upon notification of needed CAM changes for time reporting, BSC Comptrollers will instigate normal CAM revision proceedings. See Attachment B - Appendix A4 for flow chart of activities.

All CAM revisions must be submitted to BSC Comptrollers by the first workday of the month in which the revisions are to be filed. BSC Comptrollers will review and evaluate all CAM changes and coordinate the revisions with

Text Change

APL 610-02 Page 9 of 18 Revised : 12/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

BSC Legal and BSS Federal Regulatory. BSC Comptrollers will distribute the changes for comments fifteen workdays prior to releasing the CAM revisions to BSS Federal Regulatory. Written comments must be received by BSC Comptrollers no later than five workdays prior to official release.
BSC Comptrollers will release the final revisions to BSS Federal Regulatory one workday prior to the end of the month of official filing. BSS Comptrollers is responsible for developing, updating, and distributing Classification Letter 10-03 for internal use in the classification of expenditures to cost pools as described in the CAM. Classification Letter 10-03 should describe in detail the use of each cost pool in the CAM. BSS Comptrollers is responsible for ensuring that all classification letters, methods and procedures, and system procedures are in compliance with BSC Comptrollers' APLs and Accounting Rulings (ARs).

BSE Comptrollers is responsible for preparing and updating the "JCO Compliance Documentation" for BSE Headquarters and each BSE subsidiary which has direct affiliated transactions with SB and SCB, or which has a chaining relationship with SB and SCB. The "JCO Compliance Documentation" includes:

- a) a description of the unregulated affiliate.
- b) the transactions covered under the JCO (Parts 32 and 64 as amended).
- c) the valuation method used for charging SB, SCB, or the other unregulated affiliate involved in the chaining relationship.
- d) why that valuation method was selected (e.g., bona fide market exists to justify use of prevailing market rate),
- e) required audit trail documentation,
- f) time reporting, and
- g) all other accounting methods and procedures necessary to comply vith the JCO.

BSE Comptrollers must ensure that the "JCO Compliance Documentation" is in compliance with BSC Comptrollers' APLs, and ARs (i.e., 620-01, 610-10, 610-02, etc.) and supports the CAM affiliated transactions documentation in detail. BSE subsidiaries' Comptrollers are responsible for ensuring any system changes necessitated by the "JCO Compliance Documentation" are made.

BSC Comptrollers is responsible for preparing and updating the "BellSouth Corporation Corporate Functions Cost Allocation Policy Guide" for BSC Headquarters and each BSC subsidiary (i.e., BellSouth D.C.) which has direct affiliated transactions with SB and SCB, or which has a chaining

• Text Change

Botice.

APL 610-02 Page 10 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

relationship with SB and SCB. The "BellSouth Corporation Corporate Functions Cost Allocation Policy Guide" covers all related policy documents, as well as the BSC Headquarters specific allocation methodology and policy. BSC Comptrollers is responsible for ensuring that this documentation is in compliance with the related APLs and ARs.

SB and SCB Comptrollers State Regulatory Organization are responsible for evaluating any state impacts of the CAM changes and notifying BSC and BSS Comptrollers of any state versus federal difference. BSS Comptrollers will work with SB and SCB to impact these differences and support state filings. BSC Comptrollers will revise policy directives for any changes resulting from state Public Service Commission (PSC) Orders as required.

#### 5. REQUIREMENTS FOR EXTERNAL ACCOUNTING PLANS

Prior to adoption of the JCO, product-specific accounting plans were filed by BSC, SB, and SCB as directed by appropriate federal and state regulatory authorities. These accounting plans described detailed procedures as to how SB or SCB would account for the cost of the nonregulated product and prevent cross-subsidization from ratepayers. On August 12, 1987, BSC filed the original CAM with the FCC. The CAM includes documentation on an account by account basis of how SB and SCB will separate costs between regulated and nonregulated products. To the extent the JCO has been adopted by a jurisdiction, this CAM serves as a generic accounting plan for external regulatory use that should be adequate to address any future nonregulated product offerings in the federal and state regulatory jurisdictions. As such, any requests by federal or state regulators for a product-specific accounting plan should be referred to the CAM, including PSC ordered modifications.

In the event that a product-specific accounting plan is required to meet external requirements, BSC, SB, and SCB Comptrollers should inform BSS Comptrollers of the specific regulatory requirements as soon as the external request for such a plan is received. BSS Comptrollers should then coordinate the development of the product-specific accounting plan with all affected departments, and submit the accounting plan to BSC, SB, and SCB Comptrollers Regulatory Accounting Offices for their concurrence and filing with the appropriate regulatory authorities. All future product-specific accounting plans must be fully consistent with the CAM or, for state purposes, specifically ordered modifications.

APL 610-02 Page 11 of 18 Revised : 12/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

Any proposed exceptions to this rule should first be coordinated with BSS Comptrollers and BSC, SB, and SCB Comptrollers Regulatory Accounting Offices.

#### REPORTING REQUIREMENTS

Currently, BSC Comptrollers files monthly (MR) reports and annual financial data with the FCC, including Form M, the Forecast of Investment Usage Report (Forecast Report), and the Actual Investment Usage Report (Actual Report). SB and SCB Comptrollers also file similar state specific financial data on a monthly and annual basis as directed by their regulatory authorities. As directed in CC Docket No. 86-182, the FCC requires automated reporting of quarterly financial data on FCC 43-01 Quarterly Report (previously referred to as Appendix A) for SB and SCB via the Automated Reporting Management Information System (ARMIS) beginning in June, 1988. In addition, for FCC 43-03 Joint Cost Report (previously referred to as Appendix C), total regulated and nonregulated revenues, expenses, and investments must be reported annually as determined in accordance with the CAM's requirements as filed with the FCC.

To separate costs between regulated and nonregulated activities as indicated in the CAM, the CSS in BSS' Information Systems was redesigned in 1987. In January, 1988 the CSS began producing monthly reports on a line-of-business basis. While these monthly line-of-business reports are used for internal management purposes, they are also the sole medium for reflecting the separation of costs between regulated and nonregulated activities. Therefore, it is necessary that these monthly line-of-business reports comply fully with the cost allocation principles and methodologies documented in the CAM.

To ensure the integrity of the monthly CSS reports, CSS must balance to the Corporate Accounting Process (CAP) ledger before the CSS reports are produced. SB and SCB Comptrollers should reconcile the total company and state amounts back to the monthly reports issued from the Corporate Reports offices. BSS Comptrollers should analyze these reports on a regional basis. This reconciliation and analysis should be performed prior to release of the CSS reports to management or regulators.

\* Text Change

Rotico

APL 610-02 Page 12 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

Form H and the ARMIS reports are filed annually, with the exception of FCC 43-01 ARMIS Quarterly Reports. SB and SCB Comptrollers are responsible for compiling the reports and forwarding the approved reports to BSC Comptrollers for review. BSC Comptrollers will review all reports for reasonableness and reconcile these reports with external reports and data requests previously or currently filed with the FCC, the Securities and Exchange Commission (SEC), and others. BSS Separations is responsible for the preparation and review of all separations data for reports FCC 43-01 ARMIS Quarterly Report, FCC 43-03 ARMIS Joint Cost Report, and FCC 43-04 ARMIS Access Report (previously referred to as Appendix D). After review and concurrence, the completed reports are forwarded to BSS Federal Regulatory/D.C. for filing with the FCC. BSC Comptrollers will release a detailed coordination plan and guidelines for these reports upon full settlement of outstanding issues with the FCC.

The Tariff Review Plan (TRP) is filed annually with the FCC. The TRP requirements are outlined in detail annually in Dockets released by the FCC for that specific year. The 1988 TRP is detailed in Delegated Authority No. DA88-1876, with rulemaking proceedings established in the Notice of Proposed Rulemaking (NPRM) CC Docket No. 88-326 for changing the TRP filing dates. Each year similar orders will be issued by the FCC to provide details of their filing requirements. The budget organizations of SB and SCB are responsible for developing total company regulated and nonregulated budget data for the TRP. SB and SCB Comptrollers is responsible for compiling Part 64 state data and reviewing this data in conjunction with BSS Comptrollers for reasonableness. BSS Separations is responsible for collecting nonregulated data by state level from CSS and preparing and reviewing all of the separations data for this report. BSS Federal Regulatory coordinates the collection and transmittal to D.C. of this data for filing with the FCC.

The Forecast Report (FCC Report 495A) was filed on December 31st, concurrent with the TRP in 1988. The Forecast Report requirements are outlined in detail in the Order released May 31, 1988, CC Docket No. 86-182. BSS Comptrollers is responsible for the compilation and release of data assumptions as well as the overall coordination of the compilation of the Forecast Report. SB and SCB Comptrollers will coordinate data collection for all other departments having input to the Forecast Report. Accordingly, SB and SCB Comptrollers are responsible for ensuring that the Forecast Report is reconciled to the TRP. After compilation by SB and SCB.

APL 610-02 Page 13 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

the Forecast Report is forwarded to BSS Comptrollers for a review of reasonableness and compilation with the FCC guidelines. Upon review completion the Forecast Report is forwarded to BSC Comptrollers for concurrence and for transmittal to BSS Federal Regulatory/D.C. for filing with the FCC.

The Actual Usage Report (FCC Report 495B) is to be filed on April 1st for the actual levels of regulated and nonregulated usage of Central Office Equipment (COE) and Outside Plant (OSP) in the preceding calendar year. The Actual Report vill be filed concurrently with the FCC 43-02 ARMIS Uniform System of Accounts Report (previously referred to as Appendix B), the FCC 43-03 ARMIS Joint Cost Report, and the FCC 43-04 ARMIS Access Report. SCB and SB Comptrollers are responsible for compiling and reviewing the actual usage levels from the departments providing the information. BSS Comptrollers will provide coordination and support to SCB and SB in compiling the report. BSC Comptrollers will reconcile the actual usage data to previous or concurrent reports filed with the FCC. After review and reconciliation, the Actual Usage Report is forwarded by BSC Comptrollers to BSS Federal Regulatory/D.C. for filing with the FCC.

Prior to releasing regulated versus nonregulated separated revenues, expenses, and investments to be filed with the FCC, BSC Comptrollers should confirm that the CSS reported Part 32 and Part 64 total company dollars have been reconciled to the monthly reports in SB and SCB, and that any necessary adjustments have been made. Likewise, SB and SCB Comptrollers should confirm that the CSS reported total dollars are consistent with the regulated monthly reports prior to release to state regulators. Within the BOC Comptrollers organization the Corporate Reports Office is responsible for attesting to the fact that the Part 32 and Part 64 data is correct. The BSS Separations group is responsible for processing this data through Part 36 - Jurisdictional Separations and Part 69 - Access Charges. As with all financial data released to regulators, BSC, SB, and SCB Comptrollers should communicate with one another prior to release of information in order to maintain consistent positions throughout the region in dealings with external third parties.

In addition to standard financial reporting outlined above, the FCC requires notification of all significant state disallowances of investments or expenses that are shared with nonregulated activities. The FCC acknowledges that state regulators have a unique vantage point for observing investment patterns of the carriers. Hence, state disallowances may bring to light problems which the FCC has not considered. Therefore,

APL 610-02 Page 14 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

SB and SCB Comptrollers must notify BSS Comptrollers of all state disallowances as they are instituted by state regulation. BSS Comptrollers will then notify BSC Comptrollers of these disallowances; whereupon, a ruling will be made as to significance and possible filing with the FCC. BSC Comptrollers will be responsible for making such a filing from detailed information provided by BSS Comptrollers. Such detail would include, but would not be limited to, state(s) affected, total dollar impacts, and regulatory reason given for disallowance.

#### 7. MONITORING REQUIREMENTS

Because of the varied specific requirements prescribed in the JCO, BSC, BSE, BSS, SB, and SCB Comptrollers must monitor compliance with the JCO in many areas. These areas include:

- a) integrity of reporting.
- b) affiliated transactions.
- c) actual versus forecast usage of COE and OSP,
- d) accelerated upgrades and retirements,
- e) incidental activities,
- f) time reporting, and
- g) CSS and other systems compliance with the CAM.

The FCC has stated in the JCO preceedings that information describing the transaction between the nonregulated affiliates and the regulated affiliates must be included in the complete audit trail that the carriers are to keep of their affiliate transactions. Therefore, SB and SCB Comptrollers are responsible for ensuring that a detailed audit trail of each affiliated transaction is maintained to comply with the JCO and that adequate information is available for the Attestation Audit. The audit trail requirements include chaining transactions, which vould require SB and SCB Comptrollers to obtain, from nonregulated affiliates, the detail of each transaction in the chain from the nonregulated affiliate dealing directly with SB or SCB and from any other nonregulated affiliates involved in the progression of the transaction. BSC, BSS, and BSE Comptrollers must ensure that a complete audit trail for all chaining transactions, in which they or their subsidiaries are involved, is maintained or provided to SB and SCB Comptrollers.

APL 610-02 Page 15 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

The amended Order requires that the allocation of COE and OSP to nonregulated activities be based on forecasted nonregulated usage over a three year period. The Forecast Report Order stipulates that the nonregulated investment within an investment category cannot decrease from one year to the next without a wavier. If reallocations of telecommunications plant from regulated to nonregulated operations are required, such plant will be transferred at undepreciated baseline cost plus an interest charge or "penalty" to reflect the time value of money. The authorized interstate rate of return that is in effect for each relevant period will be used to compute the charge. To comply with the requirements for forecasting joint and common network investment, SB and SCB Comptrollers should monitor the actual nonregulated usage of COE and OSP, and compare this to forecasted levels. A quarterly report displaying actual versus forecasted usage, and investment levels should be prepared and submitted to BSC and BSS Comptrollers the tenth day of the second month after the close of the quarter. Further any necessary adjustment and interest charges resulting from under forecasting nonregulated usage should be calculated and journalized by SB and SCB Comptrollers to be charged against the product or service overutilizing the COE or OSP.

BSC Comptrollers should be notified, via footnotes or attachments to the quarterly report of actual versus forecasted usage, of the nonregulated usage overages. As needed, BSC Comptrollers will provide guidance for any adjusting journal entries to be made. Overutilization and resulting penalty should also be communicated to BSS, SB, and SCB Marketing, and SB and SCB Network by BSS Comptrollers. BSC Comptrollers will coordinate with BSC Legal and BSS Federal Regulatory/D.C. concerning any over utilization and penalty. BSC Comptrollers should also be notified in the event that the difference between actual and forecasted usage is due to underforecasting regulated usage and nonregulated usage was not underforecasted. BSC Comptrollers would then coordinate a contact with the FCC concerning the COE and OSP usage and the possibility of no penalty being levied due to the cause of the forecast difference.

The Order provides that upgrades and accelerated replacements of older facilities, undertaken primarily for the benefit of nonregulated activities, vill be assigned directly to the nonregulated services. To comply with this requirement, SB and SCB Network will notify SB and SCB Comptrollers of such upgrades and replacements. SB and SCB Comptrollers will then make adjustments to assign associated investment to the

APL 610-02 Page 16 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

nonregulated activity. To encourage ongoing compliance with this requirement, SB and SCB Comptrollers should provide SB and SCB Network with a standard form for reporting all pertinent information relating to an accelerated upgrade and replacement undertaken primarily for the benefit of a nonregulated activity, if any.

The JCO prescribed that a listing of incidental activities be filed in the CAM. The activities must meet the following criteria to be accorded incidental status:

- a) The activity must be an outgrowth of regulated operations.
- b) The activity must be a non "line-of-business" (LOB). BellSouth interprets a LOB to mean any activity that SB or SCB intends to increase resources as needed to meet market demand and that has a market price.
- c) The activity must have been traditionally treated as incidental.
- d) Revenues from total incidental activities must not exceed one percent (12) of the carrier's total regulated and nonregulated revenues over three consecutive years. (Further guidance on this calculation and the use of three consecutive years vill be provided at a later date.)

Ongoing compliance with the JCO's requirement for incidental activities requires that SB and SCB Comptrollers perform an analysis of Miscellaneous Revenues in the last quarter of each year. This analysis will identify and quantify all activities that are being accounted for as incidental (see APL 610-01). The dollar quantity should be compared to the total regulated and nonregulated revenues to determine that the one percent limit has not been exceeded. The list of incidental activities and their revenue value should be provided via BSS Comptrollers to the Product Management Council in the first quarter of the following year for evaluation of LOB potential. Guidelines as to what constitutes a LOB should accompany the list of incidental activities to assist the Product Management Council in their evaluation. (See APL 610-01 for items to be considered in developing LOB guidelines).

APL 610-02 Page 17 of 18 Revised: 12/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

After Product Management Council evaluation, BSS Comptrollers should compare the resulting list of activities to the list of incidental activities included in the CAM. BSS Comptrollers should evaluate differences for potential updates to the CAM. These CAM updates could be either for additions or deletions to the incidental activity list or for new nonregulated LOBs. Should a new nonregulated LOB result from these evaluations, BSS Comptrollers will evaluate possible cost pool changes as well as prepare a product description. BSC Comptrollers should be provided with any CAM updates resulting from the BSS Comptrollers and the Product Management Council evaluation by the first workday of March. Note that subsequent filing of CAM revisions at the end of the first quarter, which allows SB and SCB Comptrollers to perform the analysis after the close of the year, vould not allow for nonregulated product implementation until sixty days thereafter. If there are no changes to the CAM listing of . incidental activities, BSC Comptrollers should be notified via a positive report letter from BSS Comptrollers during the first quarter of the following year. See Attachment B - Appendix A5 for flow chart of activities.

Accurate reporting of time to nonregulated activities through the Mechanized Time Reporting or equivalent system must be monitored by BSC, BSS, SB, and SCB Comptrollers. Accordingly, BSC and BSE Comptrollers must monitor time reporting for their subsidiaries which have affiliated or chaining transactions with SB and SCB. Time reporting is a sensitive FCC requirements area and will receive close scrutiny by internal and external auditors. In addition to internal audits on compliance with actual procedures, to ensure appropriate compliance, BSC, BSE, BSS, SB and SCB Comptrollers should review time reporting procedures annually.

Additionally, all areas of JCO compliance must be monitored by BSC, BSE and BSS Comptrollers, particularly compliance with the CAN itself. BSE and BSS Comptrollers and BSC departments and direct reporting subsidiaries must notify BSC Comptrollers immediately of any areas of potential discrepancies. Trouble areas must be researched thoroughly by BSC, BSE and BSS Comptrollers. System inconsistencies or other discrepancies must be rectified as quickly as is possible.

381

\* Text Change

APL 610-02 Page 18 of 18 Issuance: 03/31/89 Effective: 01/01/89

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

The internal auditing departments of BellSouth and its subsidiaries are responsible for ongoing reviews of BellSouth compliance with the JCO's requirements. Accordingly, BSC Comptrollers will be the liaison with external auditors who are responsible for ongoing reviews of BellSouth's compliance with the CAM. BSC, BSE, BSS, SB and SCB are to assist both the internal and external auditors in any way necessary to facilitate the successful completion of these audits.

#### 8. INTERDEPARTMENTAL RESPONSIBILITIES

The BellSouth Corporate Plan set the ground work for interdepartmental JCO responsibilities. Henceforth, each Comptrollers department vill be responsible for JCO oversight for their entity and specific responsibilities resulting therefrom.

BSS Comptrollers is responsible for all classification and JCO requirements documentation for SB, SCB, and all departments within BSS. Accordingly, BSE Comptrollers is responsible for all classification and JCO requirements documentation for all BSE subsidiaries and departments.

BSC Comptrollers remains responsible for coordination with BSC Legal and BSS Federal Regulatory/D.C., coordinating FCC accounting policy matters with all subsidiaries, and overall corporate compliance with the JCO. Also. BSC Comptrollers is responsible for the specific classification and JCO documentation for all BSC departments and subsidiaries other than BSE, SB, SCB and their subsidiaries.

382

Betice

AP' 610-02 Pag. 1 of 3 Issuance: 03/31/89 Effective: 01/01/89 Attachment A

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

#### **GLOSSARY**

• • •

Affiliates - Business entities regardless of legal form that directly or indirectly, through one or more intermediaries, control or are controlled by, or are under common control with the accounting company.

Asset - Defined by the Financial Accounting Standards Board (FASB) as probable future economic benefits that can be obtained or controlled by a particular enterprise as a result of past transactions or events affecting the enterprise. Defined by the FCC as any item that could be recorded in an investment account of the regulated carrier.

Asset Transfer - The process of passing title to property either to or from an affiliated entity. As used in the JCO, describes transactions between affiliates involving the purchase and/or sale of assets, including the related valuation reserves (i.e., depreciation, deferred taxes, and investment credits).

Attest Audit - An attest audit is one in which a practitioner is engaged to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party. In the context of this APL, it is the audit that the FCC requires our independent auditors to perform to ensure the carrier's cost allocations are being performed consistent with their Cost Allocation Hanual (CAH) approved by the FCC.

Budgeted or Forecasted Volume - Activity level of a product or service, measured in financial or statistical units, which is estimated over a projected time period.

Central Office Equipment (COE) - Equipment used in switching, controlling, deriving, operating, conditioning, and testing communications channels. It includes only equipment located in company owned buildings or rented quarters on or near customer's premises. The equipment is installed in centralized locations such as central office buildings, toll vire center buildings, repeater buildings, repeater buts and weatherproof housings. COE is comprised of the Part 32 Central Office asset accounts.

<u>Chaining</u> - When a carrier obtains an asset or service from a nonregulated affiliate that has obtained the asset or service form another nonregulated affiliate.

APL 610-02 Page 2 of 3 Issuance: 03/31/89 Effective: 01/01/89 Attachment A

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

#### GLOSSARY

Common Cost - Describes the amount recorded for resources that cannot be directly assigned to either a regulated or nonregulated activity or to services and products transferred between affiliates.

Cost - Expenditures for resources, measured in terms of dollars, incurred to provide services or products, or achieve other final cost objectives. As used in the JCO, this term has two different meanings. For assets transferred into or out of regulation, cost is defined as the gross amount recorded in the plant accounts of the originating entity less depreciation, deferred income taxes and investment tax credit. For services provided to or received from an affiliate, cost is defined as the fully distributed direct and common expenses incurred, plus the authorized return on investment used to provide the services.

Cost Pool - Accumulation of costs into functional groupings based on the relationship of those costs to cost objectives (i.e., products or services, organizational units, LOBs, etc.). Cost pools are cost accounting tools which simplify the cost allocation process by enabling one cost allocation step to replace what would otherwise be numerous cost allocation steps if such allocations were performed individually for each amount.

Expenses - The costs of resources consumed in the process of producing current period revenue. Expenses are outflows or other exhaustion of assets or incurrences of liabilities or a combination of both during a period to carry out activities that constitute an enterprise's ongoing operations.

Incidental Activities - Activities that are an outgrowth of regulated operations but which are not tariffed. The PCC specifies that the aggregate revenue for incidental activities must not exceed one percent of a company's total revenues over a three year period. It also must be a non line-of-business activity and traditionally treated as incidental by the company.

Line of Business (LOB) - A product or service or group of products or services identified, managed and monitored separately as a profit, contribution, or cost center. As used in the JCO, LOB also includes any activity for which the company intends to increase resources as needed to meet market demand.

AP' 610-02
Pa 3 of 3
Issuance: 03/31/89
Effective: 01/01/89
Attachment A

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

#### **GLOSSARY**

Market Price - The price at which a product is sold on the open market. This information can be obtained, for example, by consulting price catalogs, by soliciting bids, or by surveying published data on completed market transactions. As codified in Part 32, the price charged the general public by the selling affiliate for the same or similar products and services provided to other members of the affiliated group. BellSouth uses market rate in reference to products and services in compliance with the FCC Rules, although the terms market rate and prevailing price are used interchangeable in the JCO.

Nonregulated - All activities of a subject telephone company which are not common carrier telecommunications products and services subject to the tariff requirements as contained in Title II of the Communications Act of 1934, as amended, and common carrier telecommunications products and services which are not tariffed by state commissions. Nonregulated activities are grouped into five separate categories. As used in the JCO, activities which have never been subject to tariff regulation and activities which the FCC has preemptively detariffed are accounted for as nonregulated by the carrier. Activities which the FCC has detariffed only in the interstate jurisdiction, activities detariffed only in a state jurisdiction and incidental activities are accounted for as regulated activities by the carrier.

Outside Plant (OSP) - That portion of intrabase communications systems extending from the main distribution frame outward to the telephone instrument or the terminal connections for other technical components.

Regulated - All activities which are subject to the tariff requirements as contained in Title II of the Communications Act of 1934, or are carrier telecommunications products and services tariffed by the state commissions.

Residual Expenses - Costs which remain after previous assignments and attributions have occurred.

Time Reporting - The methods used to identify and assign time worked by employees on different work activities.

APL 610-02 Pag 1 of 8 Issuance: 03/31/89 Effective: 01/01/89

Attachment B

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

#### APPENDIX LEGEND

ATC - Affiliate Transaction Change

BSS - BSS Accounting Support & Research

BSE - BSE Financial Accounting Matters

BFR - BSS Federal Regulatory

BOCR - BOC Comptrollers State Regulatory Organizations

BSC - BSC Regulated Accounting Policy

BSC Subs. - BellSouth Corporate Headquarters Subsidiaries, such as BellSouth D.C. or BellSouth Capital Funding Corporation

CAM - Cost Allocation Manual

CAM Rvs - CAM Revisions

Compt. - Comptrollers

DC - D. C. Federal Regulatory

FCC - Federal Communications Commission

IA - Incidental Activities

InterDept. - Interdepartmental

JCO - Joint Cost Order

JCOCD - Joint Cost Order Compliance Documentation. This includes BSE's "Joint Cost Order Compliance Documentation," BSC's "BellSouth Corporation Corporate Functins Cost Allocation Policy Guide." BSS's "Classification Letter 10-03 Accounting Concepts - Part 64 Cost Allocation," etc.

BoilSouth Corporation except under written egreenest.

APL 610-02
Page 2 of 8
Issuance: 03/31/89
Effective: 01/01/89
Attachment B

### COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

#### APPENDIX LEGEND

LOB - Line-of-Business Research Organization

Misc. Rev. - Miscellaneous Revenues

M&P - Methods and Procedures

NR - Nonregulated

Order - Any of the following: Report and Order, Memorandum Opinion and Order, Order on Reconsideration

PMC - Product Management Council

R - Regulated

SB - Southern Bell

SBC - Southern Bell Comptrollers

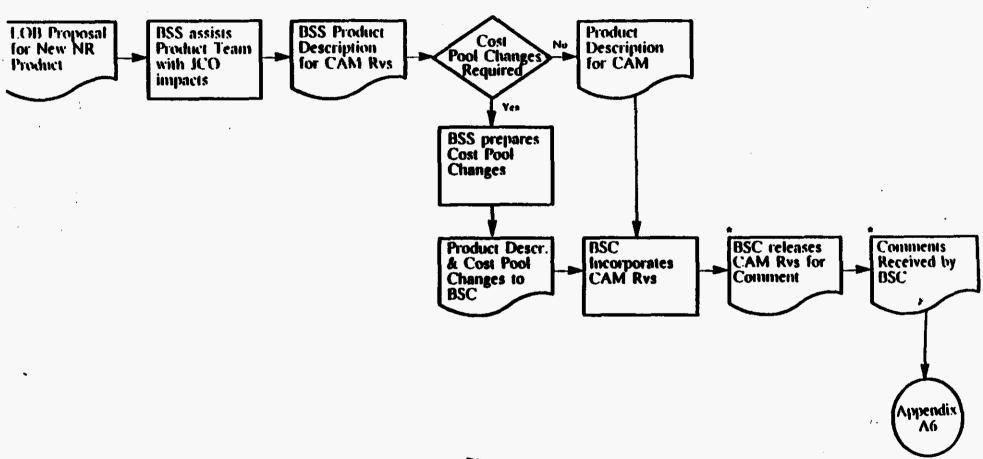
SCB - South Central Bell

SCBC - South Central Bell Comptrollers

#### Adoption of New Products and Services

388

#### Appendix A1 \*

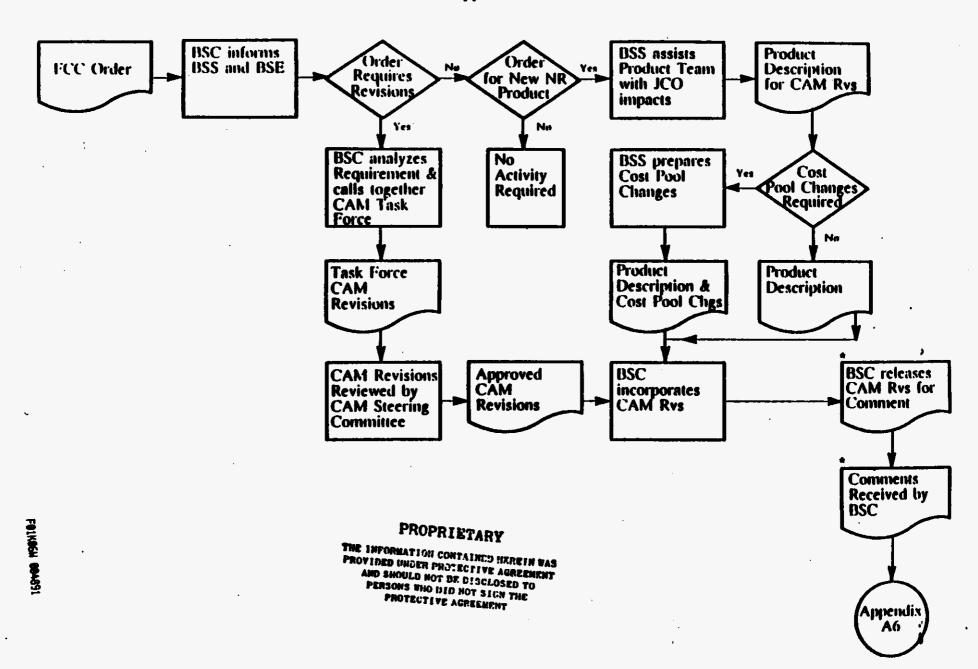


### PROPRIETARY

THE INFORMATION CONTAINED HEREIN WAS PROVIDED UNDER PROJECTIVE ACRESMENT AND SHOULD NOT BE DIRCLOSED TO LEURONE AND DED NOL RICH LINE PROTECTIVE AGREEMENT

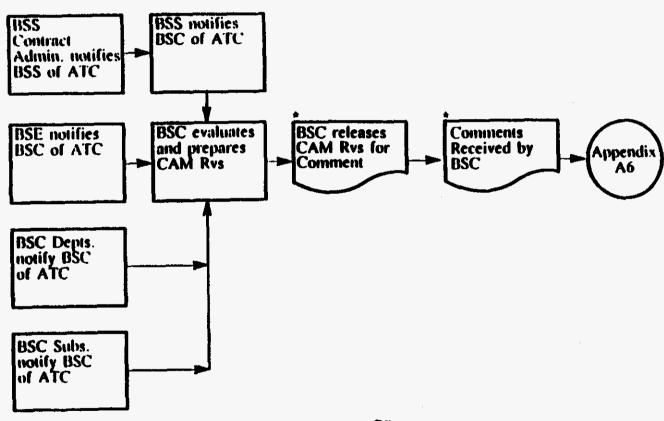
#### **CAM Updates Due to FCC Orders**

#### Appendix A2 \*



### Affiliated Transaction Changes (ATC)

#### Appendix A3 \*

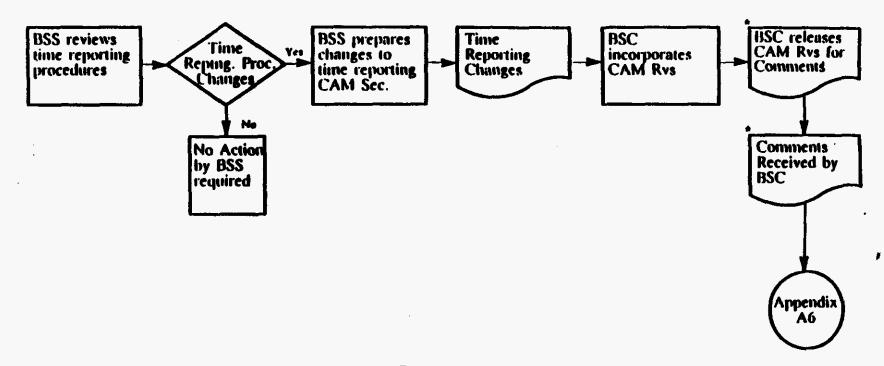


### PROPRIETARY

THE IMPORMATION CONTAINED MERCIN TAS
PROVIDED UNDER PROTECTIVE AGREEMENT
AND SHOULD HOT BE DISCLOSED TO
PERSONS THE DISCLOSED THE
PROTECTIVE AGREEMENT

. 7.

391

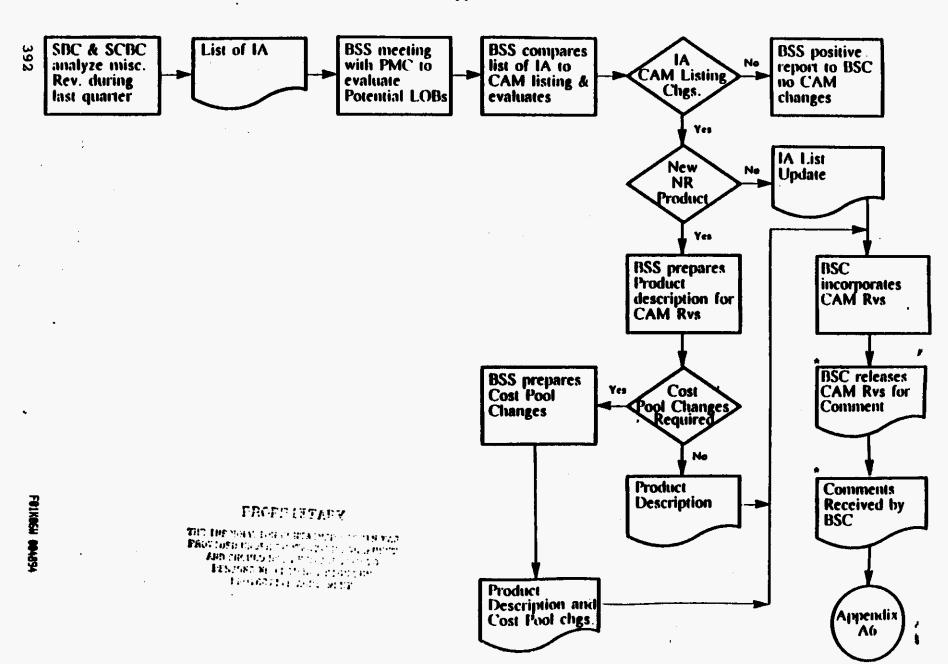


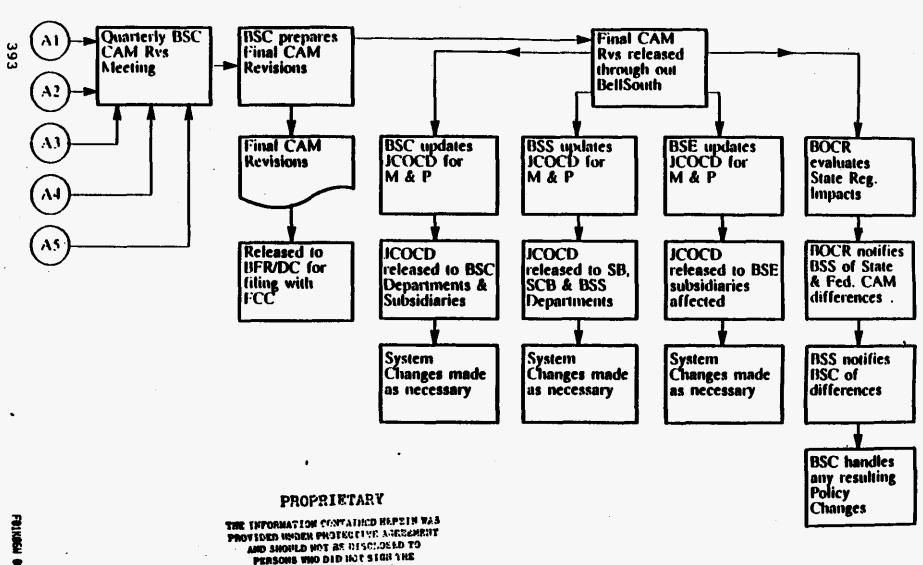
#### PROPRIETARY

THE INFORMATION CONTAINED STREIN WAS PROVIDED UNDER PROTECTIVE AGREEMENT AND SHOULD HIGT HE DISCLOSED TO PERSONS WHO DID NOT SIGN THE PROTECTIVE AGREEMENT

#### Changes in Incidental Activities (IA)

#### Appendix A5 \*





PROTECTIVE AGREEMENT

BellSouth Corporation
Corporate Accounting Hs rs Division
Accounting Policy Letter Cost Allocation

APL 610-02 Pag 1 of 4 Revised : 12/31/89 Effective: 01/01/89 Attachment C

# COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

## REPORTING SCHEDULE

	DESCRIPTION	RESPONSIBILITY	FREQUENCY	DUE DATI	EXTERNAL
1.	Status of Proposed Products	BSS Comptrollers	Monthly	to BSC, SCB & SB by 10VD of the month	FCC by lst VD of Qtr
2.	FCC Ordered Product Deregulated	BSC Comptrollers	As Ordered	to BSS by SVD after FCC notification	FCC by date ordered
3.	JCO Market/ Cost Documen- tation for Affiliated Transactions	BSE Comptrollers & subsidiaries	As Required	to SB & SCB with initial bill	Upon Audit
4.	Acc 1406/7990 Accounting Plans	BSS Comptrollers	As Required	to BSC, SCB, & SB prior to implementation	N/A
5.	CAM Cost Pool Changes	BSS Comptrollers	Quarterly or as required	to BSC 1VD of month prior to FCC filing	
		BSC Comptrollers	Quarterly or as required	Revisions Finalized 2VD prior to FCC filing	FCC 60 days prior to use

# \* Text Change

Corporate Accounting Mr ers Division
Accounting Policy Lette. Cost Allocation

APL 610-02
Pag 2 of 4
Revised : 12/31/89
Effective: 01/01/89
Attachment C

# COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

#### REPORTING SCHEDULE

	DESCRIPTION	RESPONSIBILITY	FREQUENCY	DUE DAT	E	
				INTERNAL	EXTERNAL	
6.	Affiliated Transaction Changes	BSS Contract Administration	Quarterly	to BSS Compt by 12VD 2nd mo. of Qtr		. * _ <b>±</b>
		BSS Comptrollers	Quarterly	to BSC by 1VD of last mo. of Qtr	FCC by lst VD of Qtr	*
		BSE Comptrollers	Quarterly	to BSC by 1VD of last mo. of Qtr	FCC by lst WD of Qtr	•
7.	Other Changes to the CAM	BSC, BSS, & BSE Comptrollers	Quarterly	to BSC by 1VD of last mo. of Qtr	FCC by lst VD of Qtr	*
8.	CAM Changes circulated for comments	BSC Comptrollers	As Required	15 VD prior to FCC filing		•
						ę
		BSC Comptrollers	As Required	All received 5VD prior to release to DC		•
9.	Nev Affiliates	BSC, BSE, BSS, SB, & SCB Comptrollers	As Required	to BSC by 1VD of last mo. of Qtr	FCC by lst VD of Qtr	•

395

--

<sup>\*</sup> Text Change @ Text Deletion

BellSouth Corporation
Corporate Accounting Nations Division
Accounting Policy Letter Cost Allocation

API 610-02 Page 3 of 4 Revised : 12/31/89 Effective: 01/01/89

Attachment C

# COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

## REPORTING SCHEDULE

	DESCRIPTION	RESPONSIBILITY	FREQUENCY	DUE DATE	
				INTERNAL	EXTERNAL
10.	Changes to BellSouth Affiliates List	Secretary of BSC	Quarterly	to BSC by 1VD of last mo. of Qtr	FCC by 1st VD of Qtr
11.	State Differences	SB & SCB Comptrollers	As Required	When notified by PSC	N/A
12.	Product Specific Accounting Plan	BSS Comptrollers	As Required	When notified by SCB & SB	N/A
13.	Forecast Report Assumptions	BSS Comptrollers	Annually	End of 3rd Qtr	N/A
14.	Forecast Report Filing	SB & SCB Comptrollers	Annually	15VD prior to FCC filing	N/A
		BSS Comptrollers	Annually	5VD prior to FCC filing	N/A
		BSC Comptrollers	Annually	5VD prior to FCC filing	FCC by Dec 31st

<sup>\*</sup> Text Change

- Corporate Accounting ' ters Division Accounting Policy Lett. - Cost Allocation

AP' 610-02 P4 4 of 4 Revised: 12/31/89 Effective: 01/01/89 Attachment C

# COMPTROLLERS RESPONSIBILITIES FOR MATTERS PERTAINING TO THE JOINT AND COMMON COST ORDER

## REPORTING SCHEDULE

	DESCRIPTION	RESPONSIBILITY	FREQUENCY	DUE DAT	EXTERNAL
15.	Actual Usage Report	SB & SCB Comptrollers	Annually	(forthcoming with ARMIS Instructions)	N/A
		BSC Comptrollers	Annually	2VD prior to FCC filing	FCC by April 1
16.	Actual -vs- Forecast COE & OSP usage	SB & SCB Comptrollers	Quarterly	15VD after Qtr end	
17.	Analysis of Incidental Activity	SB & SCB Comptrollers	Annually	by 10VD of 4th Qtr	
18.	Incidental Activity CAH updates	BSS Comptrollers	Annually	1VD of Harch	FCC with lst Qtr filing

• Text Change

397

Potico

87-11-017BS

Region Letter Sugres:

Strong Recommendation

BELLSOUTH

November 6, 1987 Date

Distribution Lists:

Other

See Attached Distribution List Ta:

BellSouth Readquarters, BellSouth Enterprises, BellSouth Services. Entities: South Central Bell, Southern Bell

Vice President - Senior Financial Officer From:

Transmittal of BellSouth Corporate Plan Description

> The Federal Communications Commission released CC Docket No. 86-111 (Order) on February 6, 1987. The Order, commonly referred to as Part X, caused significant changes for Southern and South Central Bell, and those BellSouth nonregulated subsidiaries engaged in affiliated transactions with the two telephone companies.

A regional interdepartmental Part X Steering Committee was formed to oversee the application and implementation of the Order's requirements. (See Attachment A for a list of members.) One product of the committee is the attached BellSouth Corporate Plan (Attachment B). This plan provides a framework for BellSouth and all of its subsidiaries to use in complying with the Order's requirements.

More specifically, it assigns the responsibility for complying with the Order's requirements to the appropriate BellSouth organizations. Further, the plan calls for specific incorporation of the plan's requirements into their departmental practices and procedures.

Therefore, to ensure full awareness and to promote compliance with the Order's requirements, we request that the plan be distributed and its requirements incorporated into your affected organizations' practices and procedures.

SUBJECT:	BellSouth Corporate Plan
ORIGIRATOR:	Ken Mory 404/249-3026
CONTACT:	Paul Pence 404/249-3033
DATE:	October 27. 1987

Recommended:

P. S. Pence - Chairman, Accounting Plans Task Force Jen 1147

Concurred:

- Chairman/Part X Advisory Team

Approxed:

P. H. Casey - Chairman Part X Steering Committee

# BELLSOUTH CORPORATE PLAN

# TABLE OF CONTENTS

		SECTION	PAGE		
1.	GEITE	PAL.	1		
	A	Background	1		
	В	Purpose	1 1 2 2		
	C	Overview	1		
	D	Compliance Responsibility	2		
	E	Effective Date and Future Updates	2		
2.	INTR	ODUCTION OF NEW PRODUCTS OR SERVICES	3 3 3 3		
	A	Determination of Regulatory Oversight	3		
	В	Comptrollers Ramifications	3		
		Accounting Requirements	3		
		Accounting Plan	4 -		
	C	Marketing Ramifications	4		
		General Requirements	4		
		Product Management Process	. 5		
3.	COST	ALLOCATION	6		
	A	General Requirements	6		
	В		7		
	C	Cost Pools	8		
4.	SPEC	IAL CONSIDERATIONS	9		
	A	Central Office Equipment and Outside Plant	9		
		General Requirements	9		
		Forecasting Responsibilities	9		
		Accelerated Retirements and Upgrades	10		
	В	Incidental Activities	10		
	C	Affiliated Transactions	11		
		Asset Transfers	11		
		Sales of Products/Services	11		
	D	Time Reporting	12		
		General Requirements	12		
		Responsible Organizations	12		
	E	Income Taxes	13		
	F	Reporting	13		
		Internal	13		
		External	14 . 14		
	Ģ	Auditing	14		
5.	MONITORING				
	A	Cost Allocation Results - Financial	16		
	В	COE/OSP Actual vs. Forecasted Results	16		
	C	Incidental Activities	17		
	n	Time Penorting	17		

6.	COST A B	Gene	AL UPDATES ral mastances Requiring Formal Updates Incidental Activities Affiliates Cost Pools	18 18 18 18 18
			Time Reporting	19
APPER	MIX	<b>A</b> .	Regional Part X Steering Committee	
APPER	DIX	В	Regulated/Nonregulated Decision Tree	
APPER	DIX	С	Overview Allocation/Separation of Regulated Nonregulated Costs	and
APPER	DIX	D	Time Reporting	
APPEN	DIX	E	State Reporting Requirements Pertaining to R Activities	ionregulated
APPEN	DIX	F	Glossary of Terms	

#### BELLSOUTH CORPORATE PLAN

#### 1. GENERAL

#### A. BACKGROUND

1.01 On February 6, 1987 the Federal Communications Commission (FCC) released its Joint Cost Order (Order) in CC Docket No. 86-111, commonly referred to as Part X. The Order amends Parts 32 and 64 of the Commission's Rules, and establishes the requirements that a regulated carrier must meet if it intends to use its resources to provide nonregulated products and services. The Order also prescribes certain affiliated transaction requirements for products and services provided to and received from a regulated carrier. As such, the requirements of the Order apply to Southern Bell (SB) and South Central Bell (SCB), their subsidiaries, and all other BellSouth subsidiaries receiving products and services from or providing products and services to SB or SCB.

#### B. PURPOSE

1.02 This BellSouth Corporate Plan (Plan) consolidates the Order's requirements and assigns the responsibility for complying with its requirements to the appropriate organizations and/or departments. The provisions of this Plan should be incorporated into the specific departmental practices and/or procedures of the affected organizations to ensure full awareness and promote compliance with the Order's requirements. Through this process, the Plan fulfills its purpose of providing a framework for BellSouth and its subsidiaries to comply with all requirements of the Order.

#### C. OVERVIEW

- 1.03 Generally, the Order adopts (1) cost allocation standards and, for certain carriers, a requirement that a cost allocation manual be filed with the Commission, (2) rules for recording transactions between regulated telephone companies and their corporate affiliates, and (3) accounting procedures, audit requirements, and other implementation and enforcement mechanisms. The Order's requirements affecting nonregulated products and services offered in 1987 will be addressed by the Part X Implementation Advisory Team in 1987 and early 1988. This Plan applies to new products and services offered after 1987, and to products and services that are preemptively deregulated by the FCC after 1987. Because the Plan applies to 1988 and forward, it calls for integration into departmental practices and/or procedures to ensure swareness and promote ongoing compliance with the Order's requirements. Key elements of the Plan include:
  - a) A decision tree that will help users identify products and services that are affected by the Order.

- b) General and specific accounting requirements prescribed by the ~Order.
- c) Requirements to incorporate appropriate sections of the Plan into the Product Management Process (or equivalent process).
- d) General and specific requirements governing the allocation of costs.
- e) Specific requirements in the areas of Central Office Equipment, Outside Plant, Incidental Activities, Affiliated Transactions, Time Reporting, Income Taxes, Reporting and Auditing.
- f) Specific monitoring requirements as prescribed by the Order.
- g) A discussion of situations that would require revisions to the BellSouth Cost Allocation Manual and submission to the FCC.
- h) Assignment of specific responsibility for complying with the Order's requirements to the various BellSouth subsidiaries and departments.
- i) Appendixes documenting time reporting procedures, definitions of key terms, state reporting requirements, etc...

#### D. COMPLIANCE RESPONSIBILITY

- 1.04 The Part X Regional Steering Committee (Steering Committee) was formed in 1987 to oversee the application and implementation of the Order's requirements. (See Appendix A for a list of members.) This regional interdepartmental cross-section of department heads has primary oversight responsibility for implementing the Order. An Advisory Team and numerous task forces made up of intercompany, interdepartmental subject matter experts supported the Steering Committee in implementing the Order's requirements.
- 1.05 This Plan was approved by the Steering Committee in 1987. Through their approval, the Steering Committee members accepted responsibility for integrating the appropriate Plan sections into their departmental practices and/or procedures by January 1, 1988. Hence, in 1988 (probably no earlier than 4th Qtr.), the Steering Committee, Advisory Team, and supporting task forces will be disbanded, and each affected department will be responsible for compliance with the Order's requirements as documented in this Plan. Also, the Internal Auditing departments of BellSouth and its subsidiaries will audit departmental compliance with the Order's requirements as discussed in the Auditing section of this Plan.

#### E. EFFECTIVE DATE AND FUTURE UPDATES

1.06 The Plan applies to 1988 and forward, and became effective upon formal approval by the Steering Committee in 1987. The departments affected by this Plan must incorporate the various Plan requirements into their practices and/or procedures in 1987 in preparation for 1988.

- 1.07 This Plan will be incorporated into a BellSouth Regional Policy Letter to be issued in 1987. As such, it is the responsibility of the BellSouth (BSC) Comptroller's department to recommend revisions and updates to the Plan as necessary. The revised Regional Policy Letter will then be distributed to the affected organizations for incorporation into their departmental practices and/or procedures.
- 2. INTRODUCTION OF NEW PRODUCTS OR SERVICES

#### A. DETERMINATION OF REGULATORY OVERSIGHT

2.01 When new products or services are proposed, the Product Manager in BSS Marketing, and their counterparts in SB and SCB Marketing should evaluate the proposed product or service in the context of the decision tree included as Appendix B to determine if the Order is applicable. This step should be performed in the early stages of the BellSouth Product Management Process (or equivalent process) discussed in the Marketing Ramification subsection of this Plan. Other affected organizations (i.e. Comptrollers, Financial Systems, Legal, etc...) will be contacted as necessary by the product manager during various stages of the Product Management Process.

#### B. COMPTROLLERS RAMIFICATIONS

2.02 Accounting Requirements - There are two broad types of nonregulated activities that pertain to SB and SCB. The first employs joint or common use of assets and resources, and is accounted for within the regulated accounts prescribed for telephone company operations. The second type of activity does not involve the joint or common use of assets and resources. (BellSouth interprets this second type of activity to also include those that involve only minimal joint or common use of assets and resources.) Costs associated with these types of activities will be accounted for in a separate account on the regulated books. This accounting is analogous to the "106" accounting performed under Part 31 of the FCC's Rules. The full costs of these activities will be directly assigned to account 1406 under Part 32 of the FCC's Rules. An example is provided to clarify the exact meaning of this paragraph:

The decision is made that SB will enter the business of selling real estate (a nonregulated activity). If SB uses joint or common assets or resources (i.e. office space, employees, etc.), the revenues and expenses associated with this business would be recorded in the regulated accounts of SB, and the cost allocation rules of this Plan would apply. If SB does not use joint or common assets or resources to sell real estate, but rather creates an entirely separate division for this business, then the associated revenues and expenses will be recorded in a single account (Account 106 under Part 31, and Account 1406 under Part 32) within the regulated books. Also, the associated assets and liabilities would be recorded in this same account, and the cost allocation standards of this Plan would not apply.

- 2.03 Revenues and expenses relating to incidental activities and deregulated interstate interexchange carrier billing and collection activities shall be accorded regulated accounting treatment. This means the transactions will be accounted for as regulated operations for the Order's purposes, and will subsequently be identified as deregulated in the Separations processes of Parts 36 (or 67) and 69 of the Commission's Eules.
- 2.04 After the close of books, investments and expenses associated with activities which share common resources will be assigned and allocated between regulated and non-regulated operations pursuant to the procedures described in the Gost Allocation section of this Plan. These nonregulated amounts will then be deducted from the operating account balances, leaving only the regulated amounts for processing through jurisdictional separations (Part 36 of the FCC's Eules). A chart is provided as Appendix C to illustrate the generic flow of accounting data under this Plan.
- 2.05 Investment and expense amounts pertaining to intrastate services are not subject to the Order. Although the states will not be required to use FCC procedures for intrastate ratemaking purposes, the Order's rules may form a useful guide for those states electing to follow a regulatory approach similar to the one provided for in the Order. Should states elect to employ different cost allocation methods from those specified in the Order, those methods will determine the investment and expense amounts assigned to intrastate nonregulated activities. It is the responsibility of SB and SCB Comptrollers to communicate state specific changes to BSC Comptrollers for consideration and revision to the Regional Policy Letter. Because any state specific changes will be of an accounting nature, BSS Comptrollers will coordinate with BSC, SB and SCB Comptrollers, and BSS Financial Systems to develop state specific cost allocation plans.
- 2.06 Accounting Plan The BellSouth Cost Allocation Manual (CAM) was filed with the FCC on August 12, 1987, and, with any modifications required by the FCC, will be used as a generic accounting plan for all future nonregulated offerings. In the event that a new and unique service-specific accounting plan is required, BSS Comptrollers will work with the Comptrollers groups in BSC, SB and SCB, and BSS Financial Systems to develop such a plan.

#### C. MARKETING RAMIFICATIONS

2.07 General Requirements - The Commission concluded that marketing costs merit unique treatment because they may have characteristics different from other costs. The FCC believes the effort to market new services makes it likely that marketing expenses will benefit nonregulated activities to a disproportionately high degree.

- 2.08 The Order defines common marketing costs as all amounts recorded in Part 32 accounts 6611 (Product Management), 6612 (Sales) and 6613 (Product Advertising), and some amounts in 6623 (Customer Services) and 6722 (External Relations). Detailed function codes are necessary within the latter two accounts to differentiate between marketing and non-marketing costs in the accounts.
- 2.09 As explained in the Cost Allocation section, all applicable marketing costs must be directly assigned or attributed on a cost causational basis to either regulated or nonregulated activities. Any residual marketing expenses will be considered common, and assigned to regulated or nonregulated based on the ratio of directly assigned and attributed marketing costs (marketing general allocator). In computing this general allocator, the expense data from the three (3) month period ending two (2) months before the current month must be used within BellSouth. Further, the Order prescribes significant time reporting, record retention and training requirements on Marketing personnel. These requirements are discussed in the Time Reporting subsection of this Plan.
- 2.10 Additionally, nonregulated usage of central office equipment (COE) and outside plant (OSP) must be forecasted as prescribed by Section 64.901 of the Commission's Rules. All nonregulated activities which purchase tariffed services from SB or SCB must do so at tariffed rates.
- 2.11 Regarding pricing, the FCC stated that "it is not our purpose, nor should it be our purpose, to seek to attribute costs to particular nonregulated activities for purposes of establishing a relationship between cost and price." Although nonregulated activities must bear all nonregulated costs, fully allocated costing methodology is not intended to be used in prescribing prices for individual nonregulated services. The FCC avoids even the appearance of doing so by requiring that costs be distributed to the regulated and nonregulated cost objectives for each cost pool in the aggregate.
- 2.12 For internal BellSouth management purposes, the principles prescribed in the Order will be used to apportion costs among particular regulated or nonregulated products or services for line-of-business reporting. (Reference BellSouth Region Letter 87-07-020BS, dated July 23, 1987.) However, this reporting is not intended to preclude BellSouth from pricing individual nonregulated products or services in any way deemed necessary.
- 2.13 Product Management Process The introduction of new products and services is accomplished through interdepartmental groups within BSS, SB and SCB as directed by their respective Marketing and Network organizations. The groups perform development and delivery functions through the Product Management Process (PMP).
- 2.14 The multi-phase PMP (or similar process) and the interdepartmental teams must incorporate within their deliberations, decision-making, and responsibilities the impacts of the Order for full allocation of costs associated with regulated and nonregulated activities. In particular,

MOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

406

forecasting, time reporting, affiliated transactions, and investment allocation procedures are affected and must be modified to accommodate the provisions of the Order. Further, start-up costs (those costs incurred to plan, develop and implement a nonregulated activity) must be separately identified and charged to the nonregulated activity as provided for in BellSouth Accounting Ruling No. 87-002.

2.15 Successful implementation requires that the interdepartmental teams draw heavily on the expertise within the Comptrollers organizations of BSS, SB and SCB, and BSS Financial Systems to define the proper accounting plans, interface with the appropriate accounting systems, ensure accurate classification of costs for tracking purposes, and ensure overall auditability of the nonregulated activities.

#### 3. COST ALLOCATION

#### A. GENERAL REQUIREMENTS

- 3.01 This section documents the various cost allocation standards required to separate regulated and nonregulated investments and expenses. These cost allocation standards apply to all business entities within BellSouth that have business dealings with SB or SCB.
- 3.02 As discussed earlier, nonregulated costs are defined as those costs of activities which have never been subject to regulation as communications common carrier offerings, and costs of preemptively deregulated activities. The Order prescribes an attributable cost method of fully distributed costs between regulated and nonregulated activities (i.e. assumes that a cost causative linkage exists).
- 3.03 Under the attributable cost method, costs can be either directly assignable, directly attributable, indirectly attributable or unattributable to regulated and nonregulated activities. Costs of assets and resources used exclusively for regulated or nonregulated activities are directly assignable to the appropriate activity. Costs of assets and resources are directly attributable if direct measures of cost causation exist for apportionment between regulated and nonregulated activities. The wages of a service order clerk who processes both regulated and nonregulated activities is an example of a directly attributable cost.
- 3.04 Costs of assets and resources used jointly to provide regulated and nonregulated activities are indirectly attributable if an indirect measure of cost causation must be used as a surrogate because a direct measure of cost causation does not exist. The indirect supervision of the above service order clerk is an example of an indirectly attributable cost.
- 3.05 Costs of shared assets and resources are unattributable if no direct or indirect measure of cost causation exists. These shared costs are apportioned based on an FCC prescribed general allocator. The salary of the Chief Executive officer and his immediate support staff is an example of unattributable costs.

#### B. ASSIGNMENT HIERARCHY PRESCRIBED

3.06 In assigning or allocating costs to regulated and nonregulated activities, the following hierarchy must be adhered to:

- Tariffed services provided to a nonregulated activity will be charged at the tariff rate and credited to the regulated revenue account for that service.
- Costs shall be directly assigned to either regulated or nonregulated activities to the maximum extent possible.
- 3) Costs which cannot be directly assigned to either regulated or nonregulated activities will be described as common costs. Common costs shall be grouped into homogeneous categories designed to facilitate the proper allocation of costs between a carrier's regulated and nonregulated activities. Each cost category shall be allocated between regulated and nonregulated activities in accordance with the following hierarchy:
  - a) Whenever possible, common cost categories are to be allocated based upon direct analysis of the origin of the costs themselves.
  - b) Whenever direct analysis is not possible, common cost categories shall be allocated based upon an indirect, cost-causative linkage to another cost category (or group of cost categories) for which a direct assignment or allocation is available.
  - c) When neither direct nor indirect measures of cost causation can be found, the cost category shall be allocated based upon a general allocator. The general allocator shall be computed by using the ratio of all expenses directly assigned or attributed to regulated and nonregulated activities for the three (3) month period ending two (2) months before the current month.
- 4) The allocation of central office equipment (COE) and outside plant (OSP) investment costs between regulated and nonregulated activities shall be based upon the relative regulated and nonregulated usage of the investment at the highest forecast relative nonregulated usage over a three (3) year forecast period.

3.07 As of January, 1988, any usage of OSP facilities by the nonregulated activities is expected to be billed at SB and SCB's tariff rate. Therefore, all OSP costs in SB and SCB are expected to be assigned to the regulated entity. In the event nonregulated activities require

the use of OSP facilities not covered by tariff, a forecast of the nonregulated usage as prescribed in Section 64.901 of the Commission's Rules will be required. This forecast, along with the COZ forecast, is discussed in the Special Considerations section of this Plan.

#### C. COST POOLS

- 2.08 The Order requires that each asset and expense account affecting the ratemaking process be separated into regulated and nonregulated components. This must be accomplished by means of the assignment hierarchy discussed above. Since most accounts contain costs arising from more than one origin, the first step is to separate the account into cost pools based on the origin of the costs. The resultant cost pools are then directly assigned or allocated to regulated and/or nonregulated activities, as appropriate. This section defines the groups that will have ongoing responsibility for evaluating and proposing cost pool definitions, cost pool assignments, and other related methods.
- 3.09 During 1987, the Part X Cost Allocation Task Force and the Part X Forecasting Task Force reviewed each affected asset and expense account, and developed appropriate cost pools to separate the regulated and nonregulated costs within each account. These cost pools, along with recommended methodology to drive costs into and out of these pools, are documented in the BellSouth CAM, filed with the FCC on August 12, 1987.
- 3.10 The non-network cost pools were also documented in the Cost Allocation Task Force Report, released June 5, 1987, and were issued as a C-Letter in late 1987. The C-Letter will continue to be the medium for describing the non-network methods. Network cost pools and assignment methodology will be proposed and documented ongoing via a joint effort of BSS Comptrollers and BSS Network.
- 3.11 Because these cost pools were developed considering nonregulated activities that existed at that time, the introduction of additional nonregulated activities raises the possibility that the existing cost pool configurations may not be adequate. Therefore, as part of the Product Management Process discussed in the Marketing Ramifications subsection of this Plan, BSS Comptrollers and BSS Network will evaluate the existing cost pool configurations for all non-network and network accounts, respectively, when a new nonregulated product or service is proposed for SB or SCB. Also, any department or organization that plans to develop new products or services where there is not a Product Management Process should contact BSS Comptollers and BSS Network for evaluation of the existing cost pools. BSS Comptrollers will then inform BSC, SB and SCB Comptrollers of the results. If, as a result of these evaluations, changes are proposed to the existing cost pools, BSS Comptrollers should coordinate the changes with BSC, SB and SCB Comptrollers, BSS Financial Systems, SB and SCB Budgets, SB and SCB Human Resources, and BSC Financial Management.

3.12 If the proposed cost pool changes are adopted, BSS Comptrollers and/or BSS Network will actually update their respective documentation (i.e., the G-Letter or Network methods). BSC Comptrollers will evaluate the changes for potential revisions to the CAM and existing reporting requirements. SB and SCB Comptrollers, Budgets, and BSC Financial Management will make necessary changes for internal reporting and budget tracking; while BSS Financial Systems and SB and SCB Human Resources will make necessary system changes and updates to Job Function Codes.

#### 4. SPECIAL CONSIDERATIONS

- A. CENTRAL OFFICE EQUIPMENT AND OUTSIDE PLANT
- 4.01 General Requirements The Order requires the use of forward-looking investment allocators for COE and OSP. This means the allocation factor shall be based on forecasted relative nonregulated use as prescribed in Section 64.901 of the Commission's Rules, not actual nonregulated use. Also, the Order restricts the allocation rule so that without a waiver, the nonregulated investment within an investment category cannot decrease from one year to the next. Significant penalties are specified for use in the case of underforecasting nonregulated investment. Further, monitoring requirements are included in the Order so that actual results vs. forecasted results can be tracked. These monitoring requirements are discussed in the Monitoring section of this Plan.
- 4.02 Forecasting Responsibilities The Administrative, Local Area and Market Oriented (Integrated LATA Planning (SB), Customer High-Speed Integrated Planning Process (SCB)) forecasting functions reside in SB's Executive and SCB's Operations Plans and Performance organizations. These functions produce forecasts for revenues and demand levels at the state, company, wire center and outside plant level collectively. They also provide a market oriented forecast based on input from Marketing, specific research, industry, and product profiles. These forecasts are provided to BSS, SB and SCB Marketing, Network and Distribution for deployment of COE and loop (OSP) facilities.
- 4.03 The forecast for regulated and nonregulated usage of COE (and OSP if necessary) will be accomplished by the identification of regulated and nonregulated components of each individual product or service by the specific Product Core Team chaired by the BSS Line-of-Business product manager. These components, based on percent regulated and percent nonregulated, will be applied to the specific product/service forecast produced by the organizations stated above. This process provides forecasts of both regulated and nonregulated usage by product/service. Therefore, BSS Line-of-Business is responsible for forecasting the regulated and nonregulated usage of COE (and OSP if necessary) as it is prescribed by the Order. Also, BSS Marketing Operations and Development is responsible for coordinating the forecasts for deployment of COE and OSP with the forecasts of regulated and nonregulated usage in order to provide information to the cost accounting system (CAS) in a workable format.

- 4.04 The cost allocation process relies upon network models to develop cost pools for certain COZ investment. The responsibility for developing and maintaining updated network models will be with SB and SCB Network engineering organizations. These engineering organizations must develop the appropriate methods for the network models, and direct and assimilate the activities of appropriate state engineering organizations necessary to build the models and provide the required data to CAS.
- 4.05 Accelerated Retirements and Upgrades Upgrades and accelerated replacements of older facilities, undertaken primarily for the benefit of nonregulated activities, will be assigned directly to the nonregulated services. Therefore, the authorization for upgrades and accelerated replacements should document why the upgrade or replacement was undertaken. Network Planning & Budgets in SB and Network Planning & Engineering in SCB is responsible for completing this documentation, and notifying SB and SCB Comptrollers when upgrades and/or replacements are made primarily for the benefit of nonregulated activities. SB and SCB Comptrollers will then make the appropriate adjustments as necessary.

#### B. INCIDENTAL ACTIVITIES

- 4.06 The Order provides that certain activities "never subject to regulation" which qualify for incidental treatment will be classified as regulated activities for accounting purposes. This means for reporting purposes, SB and SCB are required to record and leave in the regulated accounts costs and revenues associated with incidental activities.
- 4.07 The Order prescribed that a listing of incidental activities be filed in the CAM. The activities had to meet the following criteria to be accorded incidental status:
  - a) The activity must be an outgrowth of regulated operations.
  - b) The activity must be a non "line-of-business." BellSouth interprets a line-of-business to mean any activity that SB or SCB intends to increase resources as needed to meet market demand.
  - c) The activity must have been traditionally treated as incidental.
  - d) Revenues from incidental activities cannot in the aggregate, exceed one (1) percent of the company's total revenues (regulated and nonregulated).

4.08 It is anticipated that the list of incidental activities filed in the CAM can be expanded. If new activities clearly meet the above criteria, or if the new activity is already being accorded incidental status by another carrier, BellSouth will probably account for the activity as an incidental activity. BSC Comptrollers will make this determination after discussions with SB and SCB Comptollers.

4.09 To ensure appropriate accounting treatment, all departments within SB and SCB are responsible for notifying BSS Comptrollers of all new activities that are being offered. BSS Comptrollers should review all new offerings with BSC, SB and SCB Comptrollers for potential updating of the CAM and inclusion in the monitoring process. The monitoring of incidental activities is discussed in the Monitoring section of this Flan.

#### C. AFFILIATED TRANSACTIONS

412

- 4.10 Asset Transfers The FCC's goal in establishing standards for transactions between affiliates is to prevent ratepayers from subsidizing unregulated activities through improper transfer pricing. The standard for these affiliated transactions is the tariff price or a generally available price (as provided for in GC Docket No. 86-111, Order on Reconsideration, released October 16, 1987) held out to the general public in the normal course of business. Absent a tariff or generally available price, assets transferred from the regulated to the nonregulated entity are to be recorded at the higher of net book cost or fair market value. Assets transferred from the nonregulated to the regulated entity are to be recorded at the lower of net book cost or fair market value. These same standards apply to assets transferred to or from account 106 (Part 31) or account 1406 (Part 32) as required by the Commission's rules.
- 4.11 The Comptrollers organizations in SB and SCB are responsible for insuring that asset transfers comply with the above standards. Also, sufficient documentation (e.g. comparisons to fair market value) relevant to such transfers must be retained by the Corporate Reports offices in SB and SCB Comptrollers.
- 4.12 Assets sold or transferred to affiliates shall be recorded in the appropriate operating accounts according to the nature of the transaction. Any potential deviation from these affiliate transfer standards must be discussed with, and approved by BSC Comptrollers.
- 4.13 Sales of Products/Services Tariffed services sold to unregulated affiliates are transferred at the tariffed amount with revenues recorded on the regulated books. Services and supplies that an unregulated affiliate provides to unaffiliated entities and regulated affiliates will be recorded at the market rate on the regulated entity's books. When unregulated affiliates provide shared services to regulated affiliates that are not being provided to unaffiliated entities, the . costs must be assigned, attributed, or allocated in a manner that complies with the standards and procedures for the assignment, attribution or allocation of costs between the regulated and nonregulated operations of the regulated affiliate.
- 4.14 BellSouth interprets the services and supplies section of the Order to include services, products and supplies. This encompasses the provision of inventory items and other services provided by BSS to SB and SCB. Further, BellSouth views the use of Authority Codes by BSS as documented in Appendix B of the Implementation Concepts and Guidelines

for FCC Report and Order in CC Docket fh-111 as complying with the standards set forth in the Cost Allocation section of this Plan. Any significant change in the use of Authority Codes by BSS for products or services provided to SB or SCB must be discussed with, and approved by BSC Comptrollers. (At the time of this writing, the interpretations in this paragraph are under review by the Part X Implementation Task Forces. However, no significant changes are anticipated.)

A.15 Further, all affiliate transactions between SB and SCB, along with associated methologies, were reviewed in 1987 by the Part X Regulatory Task Force. All changes in procedures necessary to comply with the Order were made in 1987 as a result of this review. In 1988 and thereafter, additional offerings of products or services to SB or SCB by unregulated affiliates must be discussed with BSS and BellSouth Enterprises (BSE) Comptrollers. BSS Comptrollers will evaluate the adequacy of SB and SCB's existing methods and procedures to effect the offering. BSE Comptrollers will evaluate the adequacy of the unregulated affiliates' methods and procedures to ensure compliance with the cost allocation standards of this Plan. The results of these evaluations will then be communicated to BSC, SB and SCB Comptrollers.

#### D. TIME REPORTING

- 4.16 General Requirements The Order maintains that both positive time reporting (PTR) and exception time reporting (ETR) are acceptable under the appropriate circumstances. Regardless of which method is used, time must be reported in increments of one hour or less. Also, a description of the reporting methods used to capture and allocate nonproductive time is necessary. Nonproductive time includes vacation, sick leave, breaks, administrative activities and conferences, informal job instruction and other activities not directly related to the employee's designated project. Further, if not all nonproductive time is captured through PTR, the methods by which such time is allocated must be explained.
- 4.17 For regulatory and various auditing concerns, supporting documentation must be retained for one calendar year after the year the cost or activity is incurred. All relevant reports, including telephone and appointment logs, notes kept by employees and managers, memos and other correspondence are necessary to corroborate time reported. Further, the Order requires that employees receive adequate training in the areas of time reporting.
- 4.18 Responsible Organizations Due to the emphasis the FCC placed on time reporting in general, and on Marketing time reporting specifically, the BellSouth CAM filed with the FCC in 1987 devoted twelve (12) pages to this topic. These pages summarized the various time reporting systems, methods used to time report, ways of capturing monproductive time, record retention procedures, and training conducted within SB and SCB. This Plan incorporates the CAM section on time reporting in its entirety as Appendix D.

- 4.19 Establishing and maintaining time reporting review procedures, record retention requirements, and adequate training as discussed in Appendix D, is the responsibility of every department and organization within BSS, SB and SCB (i.e. Network, Marketing, Comptrollers, Legal, Financial Systems, etc...). Also, these departments and organizations are responsible for incorporating record retention, training and review procedures into their departmental practices and/or procedures, and complying with them.
- A.20 The review procedures must include supervisory reviews, management certifications, and other specific steps discussed in Appendix D. Source data with supporting documentation must be retained for at least one calendar year after the year the documentation is incurred. Local management should confirm the adequacy of retention procedures by periodic verification of individual employee's records during the normal review process. Further, individual organizations are in the best position to assess day-to-day time reporting results and monitor the arrival of new personnel that will require training. The BSS Training department shares a secondary responsibility for training in that appropriate training material must be available for the user groups.
- 4.21 Any change to these requirements must be discussed with BSC Comptrollers for update to the Plan and possible update to the CAM. Updates to the CAM are discussed in the Cost Manual Updates section of this Plan.

#### E. INCOME TAXES

4.22 The Order states "Income taxes shall be allocated among the regulated activities of the carrier, its nonregulated divisions, and members of an affiliated group. Under circumstances in which income taxes are determined on a consolidated basis by the carrier and other members of the affiliated group, the income tax expense to be recorded by the carrier shall be the same as would result if determined for the carrier separately for all time periods, except that, the tax effect of carry-back and carry-forward operating losses, investment tax credits, or other tax credits generated by operations of the carrier shall be recorded by the carrier during the period in which applied in settlement of the taxes otherwise attributable to any member, or combination of members, of the affiliated group." Since BellSouth files a consolidated federal tax return that includes both SB and SCB, this requirement is applicable to BellSouth. It is the responsibility of the BellSouth Tax department to ensure compliance with these requirements.

#### F. REPORTING

4.23 <u>Internal</u> - All monthly reports portraying the cost allocation results of the Order will be produced by the cost accounting system (CAS) after the normal monthly processing of financial information. At a minimum, the CAS reports should show total regulated and total nonregulated revenues, expenses and investments (i.e., Property, Plant and Equipment) as allocated under the requirements contained in this

Plan. The sum of these detailed reports must balance to the total journalized data as reflected in the Monthly Reports. Accordingly, it is the responsibility of BSS Financial Systems to produce these reports and the responsibility of BSS, SB and SCB Comptrollers to insure their integrity.

- 4.24 Further, for internal management and budget tracking purposes, it is necessary for the regulated and nonregulated reports to be produced on a line-of-business basis. All CAS line-of-business reports should allocate revenues and expenses according to the cost allocation standards prescribed in this Plan.
- 4.25 External FCC Requirements Completion of this section is dependent on the final interpretations and petitions in CC Docket No. 86-182, Automated Reporting System, released September 17, 1987. However, BellSouth expects to report at a minimum the total regulated and total nonregulated revenues, expenses and investments as discussed previously. This will be in addition to the normal reporting requirements that are not related to the Order. It is the responsibility of BSC Comptrollers to interpret and communicate the final FCC reporting requirements when they are known. Also, BSC Comptrollers will coordinate all report filings with the FCC.
- 4.26 External State Requirements The current state reporting requirements pertaining to the Order are included as Appendix E to this Plan. It is the responsibility of SB and SCB Comptrollers to identify changes in these state reporting requirements, and to communicate these changes to BSC and BSS Comptrollers. BSC Comptrollers will evaluate the changes for potential updates to the Regional Policy Letter. BSS Comptrollers will coordinate appropriate methods and systems changes with BSS Financial Systems. SB and SCB Comptrollers will continue to be responsible for filing the reports with individual state regulatory authorities.

#### G. AUDITING

- 4.27 The BSC, SB and SCB Internal Auditing (IA) departments are responsible for performing audits which test the various departments' adoption of and compliance with the Order's requirements into their departmental practices and/or procedures as prescibed in this Flan. Also, IA will coordinate their audit coverage with the external auditors so that duplicate work can be avoided.
- 4.28 The Order provides specific guidance for external auditors as it relates to reporting to the FCC. The Order states: "After Commission approval of a carrier's cost allocation manual, such carrier shall, on an annual basis, file the report of an independent suditor attesting that: (1) the cost system in place in the company reflects the company's cost manual requirements; and (2) the cost allocations performed in accordance with that system are the product of accurate methods. The level of attest assurance shall be an examination leading to a positive opinion and shall include:

- a) A compliance review attesting that a costing system is in place in the company which appropriately reflects the company's cost manual and that the results furnished in any required reports to this Commission are an accurate reflection of the data produced by the cost system. This review need not test data sources for accuracy but would comment on the reasonableness of such data sources in providing costing information.
- b) An identification of underlying data sources and the provision of: (1) an evaluation of the criticality and materiality of each data source to the results of the cost allocation report. (2) a workplan describing the activities and estimated hours required to express a positive opinion on the reliability of each data source; and (3) a description of the major data sources selected for examination. This selection would consider such factors as materiality, length of time since the last review, changes that have been made in the system and overall assessment of vulnerability.
- c) An examination of the data sources selected.
- 4.29 The independent auditor's report filed with this Commission shall include:
  - a) The scope of the work conducted, specifying the items examined and the extent of the examination.
  - b) The auditor's conclusion as to whether the actual methods and procedures implemented and performed by the company conform with the objectives, approach and procedures described in the cost manual.
  - c) Any material exceptions or qualifications the auditor may have identifying the adequacy of the procedures.
  - d) Any limitations of scope imposed on the auditor by the company or other circumstances which could have an impact on the auditor's opinion.
  - e) A statement that the Attestation Standards have been fully met during the examination."
- 4.30 In addition, the Order states "...all contracts for the provision of attestation services must contain the following provision:

The parties to this contract recognize that the attestation audit contracted for is a requirement mandated by the Federal Communications Commission (FCC) to assist in the monitoring and enforcement of the FCC's cost allocation requirements. The parties also acknowledge that the FCC has determined that FCC staff access

to the auditor's workpapers is essectial to the FCC's satisfaction of its monitoring and enforcement responsibilities. Accordingly, in the event of an FCC staff audit, the carrier to be audited and the auditor hereby expressly agree to provide FCC staff access to suditor workpapers prepared in connection with the execution of this contract."

4.31 Because of these specific requirements regarding the work of external auditors, it is the responsibility of BSC Comptrollers to ensure the engagement letter and all other contracts for services regarding the Order comply with these requirements.

#### 5. MONITORING

#### A. COST ALLOCATION RESULTS - FINANCIAL

5.01 Concurrent with the application of the Order's requirements, the FCC has provided that regulated carriers begin automated reporting of regulated and nonregulated cost allocation results in mid 1988 (CC Docket No. 86-182). Therefore, BSC Comptrollers, with input from SB and SCB Comptrollers, has the primary responsibility for monitoring and reporting the cost allocation results to the FCC. Also, BSC Financial Management, with input from the Budget groups in SB and SCB, will be responsible for monitoring and coordinating cost allocation results for internal management purposes. In 1987, the Part X Budgets Task Force will develop detailed methodologies to budget and track regulated and nonregulated amounts. SB and SCB Budgets, with input from BSC Financial Management, will be responsible for maintaining the integrity of these procedures in 1988 and thereafter.

## B. COE/OSP ACTUAL VS FORECASTED RESULTS

5.02 For control purposes, the collection of actual usage data for comparison with forecasted data must not be done by the same organization responsible for the forecast. In addition, the analysis of actual versus forecasted results must not be done by either the organization responsible for the forecast or the organization(s) charged with data collection.

5.03 Two (2) major types of data collection must be done. If the cost pool being tracked is line related (e.g., terminations), the data should be available in various BSS Financial Systems data bases. Consequently, the organization responsible for collecting this data is BSS Financial Systems. If the cost pool being tracked is usage related, (e.g. switching equipment) the data must be developed by traffic studies. Since the jurisdictional separations process requires traffic studies, the nonregulated usage data can be collected along with the regulated usage data. Consequently, the collection of usage related data shall be prepared by traffic separations personnel. In SCB these personnel are in Revenue Requirements and in SB they are in Comptrollers.

5.04 The analysis of actual vs. forecasted results should be performed by the SB Comptrollers Forecasting and Operations Budget group and SCB Financial Analysis and Budget group. The results of this analysis should be communicated to BSS Marketing, SB and SCB Network and Comptrollers departments. Specifically, the Comptrollers in BSC, SB and SCB should receive the results of this analysis on a quarterly basis. If the results indicate that remedial action is required, SB and SCB Comptrollers should calculate the adjustment and inform the appropriate parties in BSC, BSS, SB and SCB.

#### C. INCIDENTAL ACTIVITIES

5.05 The Order prescribes that revenues from incidental activities (as discussed in the Special Considerations section of this Plan) in the aggregate cannot exceed 1% of total telephone company revenues. To ensure that this ceiling is not exceeded, an annual study of incidental activities will be conducted by SB and SCB Comptroller's Corporate Reports offices. This study will be conducted during the last quarter of each year and will entail a review of all incidental activities listed in the CAM. If new incidental activities have been approved or are in the petitioning stage, their associated revenues should also be included in the 1% test. The results of this study should be forwarded to BSC Comptrollers for evaluation and potential FCC action.

5.06 To comply with the non line-of-business requirements in the Order, the Product Management Council (PMC) should review all incidental activities identified in the CAM during the first quarter of each year to ensure that each activity listed does not qualify as a line-of-business. Prior to this evaluation, SB and SCB Comptrollers will send each member of the PMC e list of the current incidental activities, along with line-of-business guidelines to evaluate the activities. All activities that no longer qualify as incidental should be reported to BSC Comptrollers for evaluation and potential FCC action.

#### D. TIME REPORTING

5.07 Compliance with the Order's time reporting requirements must be monitored within each individual organization in BSS, SB and SCB (i.e. Hetwork, Marketing, Comptrollers, Legal, Financial Systems, etc.). Since the accuracy of time reporting will receive close scrutiny by FCC auditors, it is imperative that all organizations monitor the adequacy and accuracy of reported time, and take immediate corrective action when necessary. In addition, the Internal Auditing organizations of BSS, SB and SCB should include tests to see that time reporting is being monitored as prescribed by this Plan.

#### 6. COST MARUAL UPDATES

#### A. GENERAL

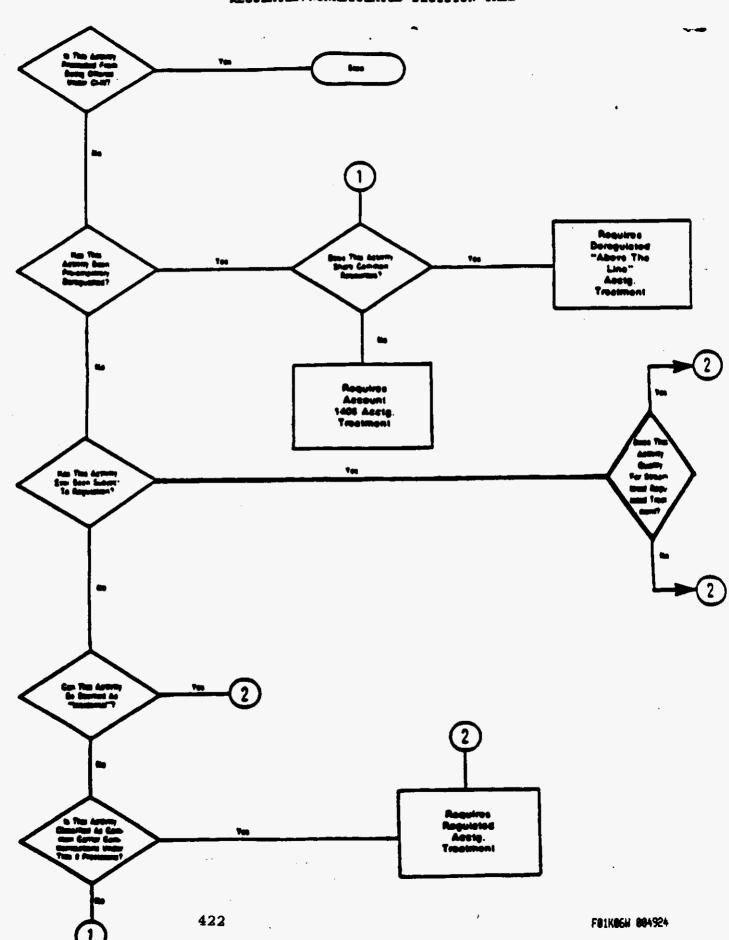
- 6.01 The BellSouth CAM was filed with the FCC on August 12, 1987. Among other things, its contents included:
  - A description of each of SB and SCB's nonregulated activities.
  - b) A list of incidental activities offered by SB and SCB, and justification for treating them as such.
  - c) A chart showing all corporate affiliates.
  - d) A statement for each affiliate describing the nature, terms and frequency of their transactions with SB and SCB.
  - e) For each Part 32 account and subaccount, detailed specifications of the cost categories to which amounts in the account or subaccount will be assigned and the basis on which the cost category will be apportioned.
  - f) A section describing the positive and exception time reporting systems used in BellSouth. Included in the descriptions is an explanation of how nonproductive time is treated in each system.

#### B. CIRCUMSTANCES REQUIRING FORMAL UPDATES

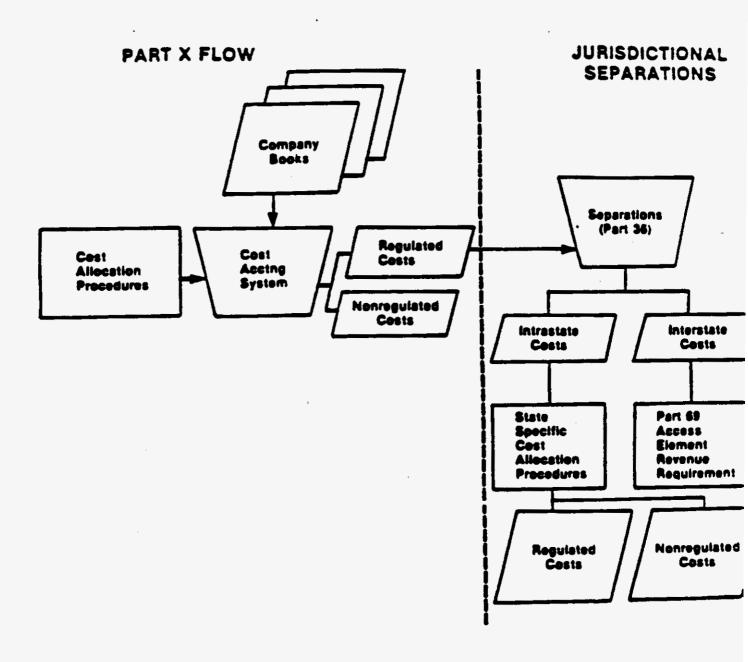
- 6.02 Incidental Activities The CAM must be updated to include additions to and deletions from the list of incidental activities identified in the CAM. Notification of changes to this list must be forwarded to BSC Comptrollers for evaluation and potential revision to the CAM for submission to the FCC.
- 6.03 Affiliates At least three (3) circumstances would necessitate a revision to the CAM with regard to affiliated transactions. They are:
  - a) The addition of new affiliates.
  - b) The deletion of current affiliates, and
  - c) A substantial change in the nature of business conducted by an affiliate with SB and SCB.
- 6.04 The Secretary of BSC has the responsibility of providing additions to and deletions from the list of BellSouth affiliates to BSC Comptrollers on a quarterly basis. Also, the Contract Administration groups in SB and SCB are responsible for informing BSC Comptrollers of significant changes in billing activity between SB, SCB and their nonregulated affiliates on a quarterly basis. BSC Comptrollers will review the changes and revise the CAM for submission to the FCC if necessary.

- 6.05 Cost Pools In the event that additional cost pools are required or existing cost pools are eliminated, the CAM must be revised and submitted to the FCC for approval. As discussed in the Cost Allocation section of this Plan, it will be the responsibility of BSS Comptrollers to evaluate the need for cost pool changes and communicate with BSC, SB and SCB Comptrollers. BSC Comptrollers will consider updates to the CAM and submission to the FCC.
- 6.06 BellSouth is taking the position that when an existing cost pool is disaggregated for the purpose of achieving a greater degree of accuracy, and the underlying methodology is not changed, then submission for approval to the FCC will not be required. For example, if a cost pool that is being allocated to regulated and nonregulated activities based on total salaries and wages is disaggregated into numerous cost pools that will be allocated based on Plant Specific, Corporate, etc... salaries and wages, then the CAM will not be revised. This disaggregation has merely achieved a higher degree of accuracy, and the underlying methodology for allocation has not changed.
- 6.07 Time Reporting Should a substantive change in time reporting procedures be required from those delineated in the CAM, it would be the responsibility of BSS Financial Systems to make appropriate changes to the procedures. Additionally, BSC Comptrollers should be notified of these changes by BSS Financial Systems, then updates to the CAM will be considered for submission to the FCC.
- 6.08 All changes that necessitate an update to the CAM will receive the same distribution and comment cycle within bellSouth as other FCC docket matters.

FURCTIONAL APPA	RAME	TITLE
1. Committee Chairman	P. H. Casey	Comptroller
2. Comptrollers - BSE	B. R. Brever	Comptroller
3. Separations - BSS	P. T. Burns	AVP
4. Real Estate - BSS	C. C. Cadenhead	AVP - Real Estate Mgmt. & Staff
5. Comptrollers - BSS	R. T. Bishop	Comptroller
6. Financial Systems - BSS	B. B. Davidson	AVP - Financial Systems
7. Retwork - SCB	C. M. Goodson	AVP - Network Engineering
8. Lines of Business - BSS	J. R. Green	AVP - Lines of Business
9. Network SB	J. C. Lane	AVP - Engineering
10. Comptrollers - SCB	W. J. Lester/	Asst. Comptroller & Chief
	G. L. Cochran	Asst. Chief Accountant
11. Pricing - BSS	J. E. Ebbert	Director - Pricing
12. Network - BSS	D. W. Jones	AVP - Network Planning
13. ISS - BSS	E. C. Skinner	AVP - Information Resources
14. Comptrollers - SB	W. S. Reid	Oper. Mgr Regulatory Aff.
15. Regulatory - BSS	A. K. Price	AVP - Regulatory Matters
16. Marketing Operations & Development - BSS	J. W. Dye	AVP



# ALLOCATION/SEPARATION FLOW OF REGULATED AND NONREGULATED COSTS



#### TIME REPORTING

#### Introduction to Time Reporting

This section of the Manual includes a description of the positive and exception time reporting systems used in BellSouth. Included in the descriptions is an explanation of how nonproductive time is treated in each system. The treatment of time reporting for Marketing is also explained in this section. The maximum time reporting increment is one hour for all exception or positive time reporting employees.

#### Positive Time Reporting (PTR)

The BellSouth operating telephone companies, South Central Bell and Southern Bell, use positive time reporting (PTE) to classify costs to the appropriate Part 32 account, apportion costs between regulated and nonregulated activities, and to pay employees. PTE employees are composed of plant occupational, reporting engineers, and premises sales. Plant and engineering employees are required to report their time on a positive basis because the cost is a significant part of plant construction and maintenance expenditures, and the work performed cannot be predicted accurately enough to preassign their costs. Sales personnel report their time in order to assign their costs to products and services, and between regulated and nonregulated services and activities.

#### PTR - Plant Occupational Employees

Employees in this group perform all functions associated with installing, repairing, and maintaining the telecommunications network. The employees in this group are almost exclusively nonmanagement. They are required to report 100% of their time, both productive and nonproductive. The supervisors and clerical support do not report their time, but their costs are included in the final charges to the accounts reported by the plant occupational forces, as explained in the End of Month Processing Section.

Time categorized as "classified productive" is reported to various accounts and field codes and represents time spent working on plant facilities. Time spent attending meetings, training, reading practices, etc., is categorized as "unclassified productive". Nonproductive time reported includes: sickness, union activities, excused time, vacations, etc.

Employees in this category prepare time reports each day. Completed time reports must be reviewed and approved by the employee's supervisor before being entered into the time reporting system. Once entered, the reports are subjected to a series of edits which

validate the information reported. The time reporting system validates the reported account, authorization number when applicable, social security number, etc. Any errors found in the reported data are identified and an error report is transmitted to the originator. The errors are corrected and the report is resubmitted.

The time reporting system accumulates the data reported on a weekly, biweekly and monthly basis. It also generates reports which are distributed to the managers of the plant occupational work force. These reports are reviewed to determine if the employees are reporting their time accurately and if the work force is being deployed in the most efficient manner possible.

#### PTR - Reporting Engineers

Employees in this category are those who design and engineer the telecommunications network, both central office and outside plant. Employees in this group are those who do the actual engineering. The direct supervisors of these employees and their clerical support do not time report, but their costs are included in the final charges to the accounts the engineers report, as explained in the End of Month Processing Section.

Time reports are submitted weekly. The reports are reviewed and approved by the supervisor before entering the data into the time reporting system.

Time reported by this group is also divided between productive and nonproductive. "Classified productive" time includes that time spent actually engineering the network.

Time spent attending meetings, training, budget work, etc., is categorized as "unclassified productive". Other time is classified as nonproductive and includes sickness, excused time, vacations, etc.

The time reporting system performs essentially the same edits on the data reported by the engineers as those made on the plant employee time reports. Errors are returned for correction and reprocessing before the end of month processing begins.

Each week reports are generated which summarize all of the reports submitted. These reports are returned to area management for review. The supervisors verify the accuracy of the data entered and ensure that the engineering staff is deployed in the most efficient manner.

# PTR - End of Month Processing for Plant Occupational Employees and Reporting Engineers

At the end of each month, the accounting system accumulates all the hours reported by the engineers and plant occupational employees.

Next, the total cost associated with the productive time reported by the engineers and occupational plant employees, plus their clerical support and direct supervision, are accumulated and divided by the total productive hours to develop a cost per productive hour.

The accounting system then distributes the dollars associated with classified productive time to the accounts reported by the time reporting employees in the same proportion as they were reported in the month just ended.

The costs associated with the time reported to the unclassified productive and nonproductive categories listed above are charged to plant and engineering administrative expense, Accounts 6534 and 6535 respectively. These costs will be apportioned as prescribed in the Cost Apportionment Tables.

#### PTR - Premises Sales Employees

Employees assigned to this category are those who make premises visits to customers for the purpose of selling telephone company products and services. The productive functions performed by employees assigned to this category include:

- 1. determining individual customer needs:
- 2. development and presentation of customer proposals;
- 3. sales order preparation and handling;
- 4. coordination required to install service;
- 5. preparation of sales records and reports.

Employees assigned to this category may sell both regulated and nonregulated products and services. These employees are assigned unique reporting codes that assign all of their costs to a common cost pool. These costs will then be split between regulated and nonregulated based on the reporting of all productive activities by these employees into the Account Planning System (APS). The distribution of these sales employees' salaries and other expenses between regulated and nonregulated will be in the same proportion as the time reported to APS. Therefore, both categories of service receive the proper share of productive and nonproductive costs. Within APS each product and service offered by the telephone companies is assigned a product code. Each product code is designated as either regulated or nonregulated. Employees report the time spent working on each customer's account to the applicable product codes.

NOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

Page 3

APS provides a documented trail of the contact between the sales employee and the customer and time spent on the account. Included in APS output reports is information such as: identification of the sales employee, the customer, date of the contact, length of time spent on each product code, and other general information. APS collects all the information reported by the sales personnel and generates various monthly summaries of how the time was reported. Included in these reports is information showing what percentage of time was spent by the employee on regulated versus nonregulated products and services. The supervisor is responsible for reviewing the APS reports with the employee to ensure all productive time has been reported accurately. Steps will be taken to correct any reports determined to be inaccurate. Both the employee and supervisor must sign the report attesting to its accuracy. All time reported by Marketing personnel in each state is summarized to obtain the total productive hours charged to regulated and nonregulated product codes, and each category's percentage of the total is then used to directly attribute all premises sales costs to regulated and nonregulated activities.

Because the entire cost pool is attributed between regulated and nonregulated based on the reported productive hours, the regulated and nonregulated lines of business will be treated fairly with respect to the apportionment of nonproductive costs included in the cost pool.

Each month the supervisor will assure that the employees who report their productive time through the APS are the same employees who charge their costs to this cost pool. This will assure the integrity of the costs being charged to the cost pool.

All premises sales supervision and clerical support costs will be pooled as a common cost and will be apportioned between regulated and nonregulated using the Marketing Allocator.

All of the above procedures are subject to audit by both the internal and external auditors. Such reviews provide controls and safeguards which ensure that time reported by these employees is consistent and reliable.

Training will be given to all sales personnel to familiarize them with the requirements imposed on marketing employees by the Order in CC Docket No. 86-111. In addition, all APS summaries, plus any other contact logs, calendars, etc., which have been generated, will be retained for at least one year for audit review. This will satisfy the same requirements imposed on AT&T in the AT&T Accounting Plan Order.

## Exception Time Reporting (ETR) Employees

Employees who fall into this category are those whose work assignments are relatively stable and predictable. These characteristics, therefore, enable the time of these employees to be pressigned to specific function and account codes. When employees in this category work on tasks which are not chargeable to their preassigned function or account code, they must report the applicable code(s). Employees report these exceptions as they occur.

ETR employees fall into one of three categories:

- CAT. 1 Those who spend 100% of their time on regulated activities
- CAT. 2 Those who spend 100% of their time on nonregulated activities
- Cat. 3 Those who spend time on both regulated and nonregulated activities.

Employees in categories I and 2 will be assigned reporting codes that identify all of their time (both productive and nonproductive) to either regulated or nonregulated activities. These employees are required to exception report their time and voucherable expenses, when applicable. For example, if these employees spend an hour or more on an activity to which they are not preassigned, they will exception report the time spent on the different activity. The exception time report must be approved by the employee's supervisor before being submitted to the time reporting system. After the exception report has been processed, a detail of the exception report is generated by the time reporting system and is returned to the supervisor for verification and approval. These summaries are retained for one year.

Employees in category 3 will be assigned reporting codes which will attribute all of their productive and nonproductive time between regulated and nonregulated activities on a percentage basis. The percentages assigned will be determined by the activities assigned to the individuals and how these employees spend their time on the job. For example, a product manager who works on product development for both regulated and nonregulated products might be assigned 60% to regulated and 40% to nonregulated. All productive and nonproductive time would be split 60/40 between the two service categories automatically. Occasions may arise when employees in this group find it necessary to exception report. For example, if an employee spent a two week period in training on a new nonregulated service, the salary and voucherable expenses incurred during those two weeks would be charged to that category. The balance would be split according to the predetermined percentages.

The rationale for the percentages will be documented and retained by the employee's supervisor.

Some of the exceptions reported may be categorized as nonproductive time. The nonproductive time categories reported by ETR employees are the same as those reported by PTR employees. The cost of nonproductive time of ETR employees will be apportioned between regulated and nonregulated activities by applying a loading rate for nonproductive cost to productive time reported to these cost objectives through the ETR system.

### Exception Time Reporting For Marketing

ETR will be used by employees who charge time and expenses to the following accounts, which have been defined as marketing or include some marketing costs.

- Product Management
- Product Advertisement
- Customer Services
- External Relations

All costs incurred by Product Management and Product Advertisement are categorized as Marketing. Only certain functions within the Customer Service and External Relation accounts are defined as Marketing. Separate cost pools have been established to distinguish between marketing and nonmarketing costs in these accounts. These pools will be allocated as prescribed in the Cost Apportionment Tables.

#### Employees Assigned To Product Management And Product Advertising

Employees assigned to these categories perform the majority of marketing staff functions. Included in these categories are: Competitive Analysis, Product and Service Identification and Specification, Test Marketing, Planning, Life Cycle Analysis, Pricing Analysis, Identification and Establishment of Distribution Channels, Developing and Implementing Promotional Strategies to Stimulate Product and Service Sales, etc.

It is anticipated that the above personnel will be assigned 100% to either regulated or nonregulated services. However, if the amount of an employee's exception reporting reaches 10% of the total available work time, the employee's predetermined assignments on the payroll file will be revised to reflect the way time is actually being reported.

All employees in Product Management and Advertising will be retrained on the time reporting system. They will also be trained on the policy issues regarding marketing costs contained in the order in CC Docket No. 86-111. All new employees hired after

January 1 will receive the same training. The percentage assignments to regulated and/or nonregulated will be incorporated into the quarterly review process. Any revisions required which are identified during this review will be made immediately. Any exception time reports will be reviewed and approved by management before being processed. After the reports are submitted, the time reporting system generates a detailed summary of the exception time reports which is returned to the supervisor for verification and approval. These summaries are retained for one year.

# Employees Assigned To Customer Service Activities

Employees assigned to this category work in the operating telephone companies Business Offices, Residence Offices, Interexchange Carrier Service Centers, and Public Telephone Office. The work these employees perform includes:

- initiating customer service orders and records;
- maintaining customer accounts;
- collecting and investigating customer accounts, including treatment for nonpayment;
- collecting and reporting pay station receipts;
- processing public telephone commissions; and
- instructing customers in the use of products and services.
- initiating sales of customer products and services.

The services that employees in this category perform are a mixture of regulated and nonregulated. Because the reporting intervals are so short and frequent, it is impractical to require these employees to report each activity to either the regulated or nonregulated cost objective. Therefore, customer service employees will be assigned job function codes which assign both the productive and nonproductive costs of the functions they perform to pools in Accounts 6612 and 6623. They will then be allocated between regulated and nonregulated activities based on the methodology contained in the Cost Apportionment Tables.

# Employees Assigned To External Relations Activities

Employees in this category work on a wide variety of activities. Functions performed in External Relations include maintaining relations with federal and state regulatory agencies, other

NOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

companies, and the general public. "Unique function codes will be assigned to those activities which are marketing related. Costs charged to these unique function codes will be apportioned between regulated and nonregulated activities by applying the Marketing Allocator as defined in the Cost Apportionment Tables.

# Methods Used To Train Employees On How To Time Report

Current methods for teaching accurate time reporting in the BellSouth operating telephone companies include a network composed of the Mechanized Time Reporting (MTR) User Support Staff and Departmental MTR Coordinators appointed by each Department to serve as a liaison between the User Support Staff and the MTR User Community.

In conjunction with the MTR Systems Staff, the User Support Staff is primarily responsible for developing, maintaining, and distributing time reporting procedures. As subject matter experts, the MTR Systems Staff works closely with the User Support Staff to develop and ensure successful implementation of all time reporting procedures. Time reporting procedures developed by the User Support Staff must be approved by the appropriate members of the MTR Systems Staff.

Departmental MTR Coordinators are trained by members of the User Support Staff prior to training of employees within their respective departments. Coordinators' training sessions consist of a general overview of the Mechanized Time Reporting System and in-depth coverage of all time reporting input procedures and the importance of segregating regulated time from nonregulated. All time reporting forms contain detailed instructions for completing each section of the form. The most commonly used time reporting codes are also contained on the form for easy reference.

Upon completion of training, Departmental MTR Coordinators are required to provide similar training sessions and follow-up training for their respective departments to ensure that the company's time reporting objective is met.

Materials used in MTR training sessions may consist of the following:

- MTR Input Procedures Provide step by step instructions for all functions related to the keying of MTR input reports. The Input Procedures also provide an explanation of the online and offline errors currently issued in the MTR system.
- Mechanized Time Reporting Procedures (MTR Book) Serve as a detailed reference manual for all employees reporting time and/or labor information. All reportable codes are provided in the MTR Book. Also included are instructions for reporting regulated and nonregulated activities.

NOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

Job Aids - Provide quick reference to materials contained in the MTR Book. Job Aids are produced for ease in completing MTR time and labor reporting forms.

To assist the MTR User Support Staff as well as the Departmental MTR Coordinators, a Payroll Office MTR Coordinator from each area and Company Headquarters is available to help answer questions and resolve problems associated with time reporting. Most of the Payroll Office MTR Coordinators are also Payroll Office Supervisors and have an excellent background in time reporting procedures. Although the Payroll Office MTR Coordinators are not directly involved in training Departmental MTR Coordinators, they may be called upon to assist in the training process when needed.

This network of support personnel works very effectively in providing the training necessary to ensure accurate time reporting.

## Monitoring And Reinforcing Accurate Time Reporting

Both BellSouth operating telephone companies use a combination of manual and mechanized procedures to monitor and reinforce accurate time reporting. Each is explained below.

#### Mechanized

The MTR System provides extensive online and offline edits to monitor and reinforce accurate time reporting.

When data is keyed, the MTR systems perform online edits on the information that has been entered. If errors are detected, an error message and error code vill appear on the screen and the data attempting to be entered is rejected. (For example: MRO410 - Invalid payroll code.) The keyer is responsible for correcting the information in error and re-entering the data. In most instances, the online error messages provide enough information for the keyer to quickly correct the information in error. For more difficult error correction, the MTR Input Procedures manual contains a complete explanation of the MTR online errors and a corrective course of action for those errors.

Additional edits are performed in the MTR offline processing each night. If errors are detected by the MTR offline programs, error codes are produced and formatted onto an error report. This report is produced daily and transmitted to printers at the input locations. Each input location is responsible for reviewing the error listing and following the appropriate steps to correct the errors that appear on the report. The MTR Input Procedures manual also contains a list of the MTR offline errors and corrective courses of action required to correct the information in error.

MOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

#### Manual

The information on time reporting systems output reports provide additional reinforcement for the online and offline edits performed by the MTR System to ensure accurate time reporting. These output reports allow supervisors to more closely monitor the payroll and labor information that has been collected and processed for employees reporting directly to them. As part of the verification process, each supervisor is responsible for reviewing, signing, and dating the payroll reports produced for their employees. Part of this review process is to ensure the employees have properly charged their time to regulated and nonregulated codes. If discrepancies are detected, the supervisor must ensure that the appropriate corrective actions are taken. After verification, the MTR payroll reports are retained for the time period specified on each report. These reports must be retained for a minimum period of one year.

MOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

# STATE REPORTING REQUIREMENTS PERTAINING TO NONREGUEATED ACTIVITIES

REPORTING REQUIREMENTS

ALABAMA None to Date

STATE

FLORIDA Wonregulated activities not conducted

in separate subsidiaries require an accounting plan requesting vaiver.

GEORGIA None to Date

KENTUCKY None to Date

LOUISIANA None to Date

MISSISSIPPI None to Date

MORTH CAROLINA None to Date

SOUTH CAROLINA Asset transfers from regulated to

nonregulated entities require a filing.

TERRESSEE Rone to Date

MOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

#### GLOSSARY

<u>Affiliated companies</u> - companies that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the accounting company.

Allocation - Distribution or assignment of costs to a cost pool or a final cost objective (e.g., regulated and nonregulated) based on a quantifiable measure of activity (e.g., value of investment).

<u>Apportionment</u> - Any distribution of costs to the regulated and nonregulated cost objectives (i.e. assignment, attribution or allocation).

Attest Audit (for Part 64 purposes only) - Confirmation by an independent auditor, verifying the carrier is in compliance with the cost allocation and accounting rules required by the FCC. All Tier 1 telephone operating companies would be subject to this process. This positive assurance audit would examine the following:

- 1) The cost system in place reflects the company's cost manual requirements: and
- 2) The cost allocations performed are in accordance with that system and are the product of accurate methods.

Asset Transfer - The process of passing title to property either to or from an affilliated entity.

<u>Budget</u> - Statement of short term (i.e., one year) financial and statistical plans for an organization, as well as a "benchmark" for measurement of financial and statistical performance throughout the year. It represents both a financial planning and control tool.

<u>Central Office Equipment</u> - Equipment used in switching, controlling, deriving, operating, conditioning and testing communication channels. It includes only equipment located in company owned buildings or rented quarters on or near customer's premises. The equipment is installed in centralized locations such as central office buildings, toll wire center buildings, repeater buildings, repeater buildings.

Common Costs - Overhead costs not attributable to any particular category (i.e., regulated or nonregulated) and which do not vary significantly with changes in volume. These are referred to as <u>unattributable</u> costs in the CAM. Examples include corporate general and administrative costs which service both regulated and nonregulated activities.

Control - the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract, or any other direct or indirect means.

<u>Costs</u> - Amount of resources, measured in financial terms, expended to achieve a final objective, such as the liability incurred in purchasing a switch to provide basic telecommunications service.

Cost Pool - Accumulation of costs into functional groupings based on the relationship of those costs to cost objectives (e.g., services, organizational units). Cost pools are cost accounting tools which simplify the cost assignment process by enabling one cost assignment step to replace what would otherwise be numerous cost assignment steps if such assignment were performed individually for each account.

<u>Cross Subsidy</u> - Improper financial assistance provided to one entity (service) by another.

<u>Direct Assignment</u> - Denotes an exclusive relationship between the source and the intermediate and/or end objective. Costs can be directly assigned to a pool and/or directly assigned to regulated or nonregulated cost objectives.

<u>Direct Costs</u> - Costs of facilities or components which can be specifically assigned to a business activity on a cost-causative basis.

<u>Directly Assignable</u> - Cost of resources used exclusively to provide either regulated or nonregulated activities.

<u>Directly Attributable</u> - Cost of shared resources used to provide both regulated and nonregulated activities that can be apportioned using direct measures of cost causation.

<u>Disaggregation</u> - Decomposition of a USOA account into its original cost components and/or lower, more detailed categories of cost. For example, the breakdown of marketing expense into sales and marketing support.

Exception Time Reporting - An employee's time is determined to be dedicated, the majority of time, to one or more activities in which he is normally engaged. The employee actively reports only the time spent on activities that depart from the norm.

Expense - The costs that are consumed in the process of producing revenue. Expenses are outflows or other using up of assets or incurrences of liabilities (or a combination of both) during a period to carry out activities that constitute an enterprise's ongoing operations.

NOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

Facilities - Facilities are the equipment required to provide communication transmission between two end offices. Included are interoffice circuit and outside plant investment and all tandem switching investment.

<u>Pair Market Value</u> - The amount of cash that could be received by disposing of an asset on the open market. Fair market value does not represent a distressed sales price. It assumed continuity of the enterprise and the disposal transaction occurring in the normal course of business.

Fully Attributed Costing Methodology - Method of allocating all costs between regulated and nonregulated services. Costs with either a direct or indirect causal link to regulated or nonregulated activities are directly assigned to the appropriate activity. Remaining costs will be apportioned between regulated and nonregulated activities. Cost causational attributional factors will be used whenever possible, and those common costs that are not attributable to any specific service are distributed on the basis of a general allocator.

General Allocator - Distribution factor for all expenses which cannot be allocated on a cost-causative basis. It is computed by calculating the ratio of all previously assigned and attributed (to regulated and nonregulated) expenses.

Incidental Activities - Activities that are an outgrowth of regulated operations but which are not tariffed. The FCC specifies that the aggregate revenue for incidental activities must not exceed one percent of a company's total revenues. It also must be a non-line-of-business activity and traditionally treated as incidental by the company.

Indirect Costs - Although not specifically attached to or caused by one product, indirect costs are identifiable as contributing to the cost of producing a service or product. Indirect costs are jointly caused by several cost objectives or products, such as depreciation on the shared facilities of a central office.

Indirectly Attributable - Cost of shared resources used to provide both regulated and nonregulated activities which require an indirect (surrogate) measure of cost causation in order to relate the costs to the final cost objective.

Investment - An expenditure to acquire property yielding income or services.

<u>Market Price</u> - The price at which a product is sold on the open market. This information can be obtained, for example, by consulting price catalogs, by soliciting bids, or by surveying published data on completed market transactions.

<u>Marketing General Allocator</u> - Residual marketing costs are allocated to regulated and nonregulated cost objectives on the basis of all previously assigned and attributed (to regulated and nonregulated) marketing expenses.

MOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

<u>Network Model</u> - Refers to the methods and procedures used to apportion the cost of network investment to cost pools within each account (e.g. special cost studies used to assign switching investment to cost pools).

Monregulated - Preemptively deregulated activities and activities never subject to regulation.

Outside Plant - Investment in loop and facilities outside of telephone buildings.

<u>Positive Time Reporting</u> - Method used by certain employees to identify and capture time spent for all work activities on a daily basis. All activities performed during the day are recorded into standard time increments.

Predetermined Cost - An estimate of cost based on a forecast level of cost and activity.

<u>Projected Peak Utilization</u> - The maximum level of usage of an investment over its planned life.

Regulated - All activities that are classified as common carrier communications for Title II purposes.

Residual Expense - This is the amount remaining in an account or cost pool after previous assignments and attributions have occurred.

Streamline Regulation - Activities which have been identified by the FCC as varranting decreased regulation.

Time Reporting - This method is used to identify and assign time worked by employees on different work activities.

Traffic Units - These are the basic measurements through which the capacity of central office and outside plant components are defined (e.g., seconds of use, volume of messages, volume of attempts). This term encompasses a diverse set of measurements.

<u>Unattributable</u> - Cost of resources, shared between regulated and nonregulated activities, for which no causal relationship exists. These costs are accumulated and allocated to both regulated and nonregulated services through the use of a general allocator.

<u>USOA Books of Account</u> - Those accounts which are specified in Part 32 of the Federal Communications Commission Rules and Regulations governing the accounting of telephone companies.

NOTICE: Not for use or disclosure outside the BellSouth Corporation except under written agreement.

#### -APPROVAL LETTER-

Item No. 6-016 Attachment XII

#### BELLSOUTH HEADQUARTERS COST APPORTIONNENT

Executive Instructions No. 10 is revised in its entirety. It has been divided into three sections that document BellSouth policy in regards to the FCC Joint Cost Order. The sections are:

Section 1 - BellSouth Headquarters Cost Apportionment

Section 2 - Corporate Functions Cost Assignment

Section 3 - Project Billing

In addition, detailed procedures to carry out the policy have been removed from the Executive Instructions and documented in BellSouth Administrative Practices.

The major changes include:

- (1) Departmental Overheads are established to allocate costs that cannot be directly associated with one function but are in support of all functions.
- (2) All Corporate Function Codes are assigned CX as the first two characters of the code.
- (3) The annual review of the Cost Assignment Forms is changed from the fourth quarter to the second quarter.

Questions regarding this revision should be referred to Harry Babbit 404-249-2945) or Mary Fitzgerald (404-249-3005).

PECONITYPED

lice President and Comptrolle

APPROVED:

MUNOODI Vice Chairman Date: 5-28-91

Filing Instructions: E.I. No. 10, Section 1

E.I. No. !O. Section 2 E.I. No. 10. Section 3 NA NA

Insert the attached:

Pages .--

Pages 1-3

Remove the following:

Pages 1-17

Page-

### BELLSOUTE HEADQUARTERS COST APPORTIONMENT

#### CONTENTS

		rag
1.	GENERAL	1
2.	JOINT COSTING REQUIREMENTS	2
3.	OVERHEAD AND ANCILLARY CHARGES	3

## 1. GENERAL

- 1.01 This Instruction defines the policies regarding the identification, collection, allocation and billing of costs incurred by BellSouth Headquarters to the subsidiaries of BellSouth Corporation specified in Executive Instructions No. 1. Exhibit B. The purpose of each section in this Instruction is as follows:
  - a. Section 1 To specify the methodology employed to apportion BellSouth's costs in a fully distributed manner, consistent with the joint costing and affiliated transactions requirements of Parts 32 and 64 of the Federal Communications Commission's (FCC) rules and regulations.
  - b. Section 2 To define corporate functions costs and describe the process used to bill these costs.
  - Section 3 To define projects and the process used to bill project costs.
- 1.02 BellSouth Headquarters (BellSouth) incurs costs on its own behalf and on behalf of its subsidiaries as a result of performing its ownership responsibilities. Executive Instructions No. 1 defines the BellSouth Headquarters entity and details its various functions and duties. Additionally, BellSouth provides non-affiliated entities limited access to certain internal, but shared services provided to its affiliates. Costs incurred by BellSouth result from a variety of activities such as, engaging in corporate oversight responsibilities, performing general support functions for subsidiaries, performing incidental contracted work for non-affiliated entities, or performing specific services, on a discretionary basis for the subsidiaries. Based on the nature of the expense, costs incurred at BellSouth vill either be retained at BellSouth or billed to the subsidiaries through the Corporate Functions Cost Assignment and/or Project Billing Systems.
- 1.03 The BellSouth Headquarters cost apportionment process has been developed to collect, allocate and bill costs which result from BellSouth's operations. These procedures were developed considering generally accepted accounting principles (GAAP), regulatory accounting practices, management information needs, and budgeting control requirements. The Corporate Functions Cost Assignment System was developed to properly separate, assign and bill to the subsidiaries those costs associated with the support of their general work functions. Likewise, the Project Billing System was developed to properly

2.05 In discussing this methodology, the Order characterizes the costs of resources as being either directly assignable or common costs. "Directly assignable" costs are the costs of those resources that are used exclusively for a specific activity (e.g. regulated or nonregulated activity in a regulated carrier). "Common costs" are the costs of resources which cannot be directly assigned to a specific activity.

Control of the second of the s

- 2.06 The methodology used to assign BellSouth's common costs to the proper subsidiary depends on whether the cost can be directly or indirectly attributed to a specific activity, or is unattributable, as defined below.
  - a. Costs of resources are <u>directly attributable</u> if direct measures of cost causation exist. An example of direct attribution is the vages of time reporting employees performing work for two or more subsidiaries. Since the time reports provide us with the ability to tell how much of the employee's time was spent working on each subsidiary, we consider this a direct measure of cost causation.
  - b. Costs of resources are indirectly attributable if an indirect measure of cost causation must be used because a direct measure does not exist. An example of indirect attribution is the apportionment of a non-time reporting supervisor's salary to two or more subsidiaries based on the wages of employees supervised. Since the supervisory function does not lend itself to time reporting, we have no direct means for determining how its costs should be billed to each subsidiary. We can indirectly determine the amount by using the wages of the people that are supervised as a basis for allocating the cost of the supervisory function.
  - c. Costs of shared assets and resources are unattributable when no direct or indirect measures of cost causation exist. The salary of the Chief Executive Officer would be an example of an unattributable cost. Unattributable marketing costs will be allocated to the subsidiaries on the basis of each subsidiary's total marketing expenses as a percent of the total of all subsidiaries' marketing expenses. The proper allocation of these costs necessitates that the subsidiaries identify and report all marketing expenses on a consistent basis, as defined by the FCC. Unattributable non-marketing costs will be apportioned based on appropriate allocators as defined in BellSouth Administrative Practice O10-002-001.
- 2.07 In assigning costs to the subsidiaries, the following hierarchy must be adhered to:
  - a. Whenever possible, costs should be directly assigned to the subsidiary.
  - b. Common costs should be allocated as follows:
    - Common costs are to be allocated based upon direct attribution.
       whenever possible.
    - When direct attribution is not possible, common costs shall be allocated based upon indirect attribution.
    - 3.) When neither direct nor indirect measures of cost causation can be

Page - b-

#### CORPORATE SERVICES COST ASSIGNMENT

#### CONTENTS

		Page					
1.	DEFINITIONS	1					
2.	RESPONSIBILITIES	2					
3.	CORPORATE SERVICES COST ASSIGNMENT SYSTEM	2					
EXHIBITS							
A.	COST ASSIGNMENT FORM	4					
1.	DEFINITIONS						

- Corporate services are defined as those responsibilities specifically identified in the Cost Allocation Agreements between BellSouth Headquarters and the subsidiaries. Included are both "natural" holding company functions (oversight) and those designated as such by policy or Corporate management. Corporate services not specifically identified in the Cost Allocation Agreement must be accounted for as project services (see Paragraph 4) until the Cost Allocation Agreement is amended to include the function.
- Other definitions which will be helpful in understanding the Corporate Services Cost Assignment System are:
  - Corporate Services Manager: The district employee responsible for timely and accurate completion of the Cost Assignment Forms (Exhibit A) within his/her respective district. Specific responsibilities of the Corporate Services Manager are to:
    - 1.) prepare, obtain approval of and submit Cost Assignment Forms on a timely basis.
    - 2.) monitor the work activities of the employees within the group to ensure the accuracy of allocation methodologies, and
    - 3.) ensure time and expense reporting activities, e.g., use of Corporate Function Codes (CX), are followed to ensure the proper assignment of costs.
  - Corporate Services Administrator: The BSHQ Corporate Accounting ь. district's employee responsible for administration of the Corporate Functions Cost Assignment System. This employee will:
    - 1.) ensure that the Corporate Services Cost Assignment System is properly configured based on the detailed methodology information prepared by the Corporate Accounting Standards District, and
    - 2.) assign Corporate Function Codes (CX), after approval by the Corporate Accounting Standards District.

accomplished by assigning a Corporate Function Code (CX) to the non-homogeneous function and instructing the appropriate employees to use this code in conjunction with their responsibility code when reporting their time and expenses. This CX code may be used to permanently assign a fixed percentage of an employee's time to the function (via a payroll change report) or it may be used on an exception basis. For employee and sundry expenses, the code should be reported in the "PROJECT" column in the Classification Detail section of the voucher. If the entity is above the district level, a unique "administrative" responsibility code vill be assigned to facilitate allocation.

- 3.03 The information reported on the Cost Assignment Form will be used as the basis for establishing the corporate functions allocation methodology associated with each administrative entity on the Corporate Services Cost Assignment System. A separate form is required for each unique responsibility code.
- 3.04 Annually, at a minimum, BellSouth Comptrollers will request a review of the cost allocation methodology by the departments and a review of the percentage of the department's time allocated to administrative time. At this time, new Cost Assignment Forms must be approved and submitted to the Corporate Accounting Standards District. This will generally be done during the second quarter of the year. In addition, whenever a new responsibility code is established, a Cost Assignment Form will be required so that the proper allocation methodology can be established within the Corporate Services Cost Assignment System. See BAP 010-002-001 for details. If at any time during the year, a significant change occurs within an administrative unit that affects the subsidiary allocation methodology being used, immediate submission of an updated Cost Assignment Form will be required.
- 3.05 Corporate service costs are billed to the subsidiaries one month in arrears. The necessary detail of services provided vill be reflected on the subsidiary bill to allow the proper classification and journalization of these costs by the subsidiary in accordance with Part 32 and in order to facilitate the assignment of costs under Part 64.

Page L

#### PROJECT BILLING

#### CONTENTS

١.	PROJ	ECT BILLING SYSTEM	1
	A.	TYPES OF PROJECTS	2
	B.	DEFINITIONS	2

# 1. PROJECT BILLING

444

1.01 Projects are services which are performed by the BellSouth departments either at the direction of a subsidiary, the direction of BellSouth Corporate Management or in conjunction with a service provided to a non-affiliate; and, due to the nature of the task, require special cost identification and billing considerations. Generally, projects are associated with services that are not identified in the Cost Allocation Agreement. Depending on the manner in which a project originates, it will be classified as:

- Subsidiary Funded (PS): Services performed by BellSouth at the request of subsidiary management which produce specific benefits for the subsidiary requesting the service.
- b. BellSouth Funded Projects (PB): Services performed by BellSouth where assignment of costs to an affiliated entity would not be appropriate. A BellSouth Funded Project, as an example, would be used to identify research and pre-incorporated operational expenses of a new venture. BellSouth Funded Projects which ultimately produce benefits for one or more subsidiaries may be reclassified to the benefiting entity through the Corporate Functions Cost Assignment System by assigning a Corporate Function Code to these costs.
- c. Cost Identification (PC): Projects designed to perform a specific cost identification purpose. Cost Identification projects are not true billing projects as defined in Paragraph 1.01, but are actually Company costs for which detailed tracking is desired e.g., Employee Security Partnership costs that are not project billed but need to be identified. Assigning a project number to these costs is simply a means of facilitating the tracking process. For cost assignment purposes, these costs are allocated to the subsidiaries based on the corporate function cost assignment methodology.
- d. Non-Affiliated Billing (PN): Costs which result from the contracting by BellSouth with non-affiliated parties to perform specific services on behalf of the non-affiliate for which full reimbursement is to be obtained. A contract must always be present between BellSouth and the benefiting party for a PN Project to be established. The provisions of Executive Instructions No. 2 must be adhered to prior to the establishment of this project.

#### May 1991

- 1.03 Each department is responsible for establishing projects, selecting Project Managers, and negotiating, when necessary, with both affiliated and non-affiliated entities for all projects planned.
- 1.04 Costs accumulated under a new venture's BellSouth Funded project number must be approved by the CPC before billing to the subsidiary can take place.
- 1.05 Project billing is the only means of collecting cost for billing to BellSouth entities not parties to the Cost Allocation Agreement and non-affiliated entities.
- 1.06 All projects require either approval papers or a Memo Authorization Form. Procedures and forms for establishing a project are found in BellSouth Administrative Procedures (BAP) 010-003-001.

Questions or concerns should be directed to Ken Mory, Corporate Manager (BSC), (404) 249-3026 or Pat Casey, Comptroller (BSC) (404). 249-2900.

J. W. Halding

Attachments

COPY TO:

- R. T. Bishop
- B. R. Brever
- R. T. Burns
- C. C. Cadenhead
- G. L. Cochran
- B. B. Davidson
- J. W. Dye
- J. E. Ebbert
- C. M. Goodson
- J. R. Green
- D. W. Jones
- J. C. Lane
- W. J. Lester
- A. K. Price
- W. S. Reid
- C. W. Shewbridge, III
- E. C. Skinner