AT&T

FLORIDA

Telecommunications Relay Service
Technical Proposal
RFP #991222 - TP
November 10, 1999

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Submitted by:

AT&T Corp.
Accessible Communications Service
295 North Maple Avenue
Basking Ridge, NJ 07920

13764-99
11/9/99

AT&T

November 10, 1999

Mr. Richard Tudor
C/o Ms. Blanca Bayo
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Dear Mr. Tudor:

AT&T is pleased to respond to the Florida Public Service Commission's Request For Proposal (RFP) Docket No. 991222-TP, to provide Telecommunications Relay Service (TRS) for the State of Florida. AT&T stands by its offer. As such, we intend to offer service in compliance with your RFP as stated in our responses. I certify that I am AT&T's representative authorized to make this proposal. AT&T does not discriminate on the basis of race, religion, national origin, color, sex, sexual orientation, age, disabilities, or veteran status.

As requested, we have provided 20 two-sided copies of our technical proposal with one binder marked as "original." The price proposals are submitted in separately sealed envelopes. Should you have any questions relative to our bid response or contractual issues, please contact me at 908-221-8144. For further convenience, my mailing address is noted below.

As you begin your review, please be aware that AT&T was the *first* telecommunications company committed to provided services to the Deaf, Speech Disabled, and Hard of Hearing communities. With the debut of TTY Operator Services in 1980 and Relay in 1986, the millennium marks our 20th anniversary of commitment to this field. And our customers applaud our efforts – placing us at the top among national Relay providers in a recent survey conducted by an independent research firm. Anchored by our continual system upgrades, quality of services, and a strong concern for customer satisfaction, our leadership position is one we intend to maintain.

We would like to bring this resolve to Relay users in the state of Florida. And, therefore, find ourselves hopeful that the Florida Public Service Commission selects the finest TRS available for *all* Floridians. AT&T!

Sincerely,

D. Sue Decker

D. Sue Decker
General Manager, Accessible Communications Services
295 North Maple Avenue, Rm 7123M1
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EXECUTIVE SUMMARY

"Go confidently in the direction of your dreams..."

A famous writer once invited us to put our feet on a very promising path.The one closest to our hearts. Part of my dream is to organize and implement the nation's best support/ self-help network for the relay users. In other words, folks like me. My name is Sue Decker. I'm the General Manager of AT&T's Accessible Communications Services Division. Passion for the deaf community is what drives my commitment for establishing the Florida Relay Center, and AT&T is driven in their commitment to seeing me succeed. Otherwise, they wouldn't have authorized me to offer *free long distance and intrastate toll calls to every Relay user in the state of Florida for three months, (subject to tariff effectiveness) the day the new AT&T Florida Relay Center opens its doors.*

And with that, let me say that by submitting this proposal to the Florida Public Service Commission, it is my fervent hope that – through all of our combined efforts – every Floridian with an idea in mind or a thought to convey will have the opportunity to strongly voice the courage of *their* convictions without reservation or fear of ridicule. It can happen – when you believe, as I do, that truly overcoming a disability means never having to say, "I can't."

A calling that goes the distance.

AT&T's corporate commitment to this project echoes my firm belief that once you've found a calling, you give it nothing less than your best. After all, it was AT&T that pioneered Operator Services for the Deaf (OSD) and introduced Relay Services to the market. And today, AT&T stands confident in the singular notion that we are *One Company. One Vision. One Voice* – one we'll use to provide the state of Florida with a distinct technological advantage. An advantage that will take the form of the **Relay 2000^{SM} Platform.** It's a multi-tiered series of sophisticated network components that include up-front automation, call control, dynamic call routing, 711 Dialing Readiness, and planned annual upgrades. Advantage, Florida.

Why such a fourth-dimensional, computer age approach? Because time is measured differently now. The once commonly held belief of 'several days hence' has falling out of favor – replaced, instead, by the more streamlined notion of seconds as the model standard-bearer for efficient time management. The century is moving rapidly toward completion with reconfigurations, reverence for that which has brought this far, and yes… a few reactionaries touting fear. But you and I know there is no going back. What awaits is the future. A future where nearly every situation has a cyber solution, formal boundaries are eclipsed, and the popularity of the World Wide Web levels the playing field for more and more of us every day.

There can be little doubt, then, that electronic-based communications have become the preferred media for all of us. The next "big thing," if you will. Immediate access to our resources is not only what we expect, it's what we demand. And, for that very reason, AT&T is also pleased to present our **Relay Services Account Manager**: a "millennimania" inspired Web site, set to launch in January 2000, with a full-time on-site operations manager, real-time access to fast, reliable service and, while we're at it, *completely Y2k compliant!*

… caught up in the Webbing

At www.att.com/relay, Florida will find a feature-rich environment for consumers and state administrators that includes:

- Monthly traffic reports and billing information
- Monthly customer contact summaries
- Customer e-Care and Feedback forms
- Interactive product and service demonstrations
- Interactive educational workshops
- End-user Online Communities and newsgroups
- Online brochures and step-by-step user guides
- Links to equipment vendors and software suppliers

… both sides

So, what does all of this tell you? Look closer: Two thousand. Take a new approach to something and it may appear a little differently. 2000. See it? Same thing, just put forward in dissimilar fashion. That's really what the following proposal is all about – we're providing insight as to where things are going as the countdown to the next century continues. AT&T has a newer, better, more efficient approach to Relay Services. And, together, we now have the ideal opportunity to put it to good use. Because, ready or not, the calendar is about to change, and we need to change with it.

At home with holistic thinking.

AT&T Relay Services begins at "home." After all, it is the acronym for American Telephone & Telegraph. We were founded on the very principles that make this country great. And, best of all, we own our own product. We don't rely on contractors to carry our signal. Not one of our minutes is outsourced. Not even for a mile.

If I were to tell you that the strength of AT&T's network is at the heart of our resolve, I would be saying that, by virtue of being the primary facilitator of the lines, we are better equipped to handle changes, emergencies, and/or system-wide improvements. And if I were to just 'lay it on the line,' so-to-speak, I would be telling you that there is no better networking infrastructure in the business. It carries clear across the country and will keep Floridians accessible to not only each other, but virtually anyone on the planet. Now how's that for *virtual* reality?

Imagine that same spirit of resolution in the state-of-the-art Operations Center, staffed with dedicated and continually trained employees. The Florida Center, patterned after our other already successful Relay Service structures, will house technical experts, create new jobs, and change the lives of countless others.

Time-Tested and True ...

It was looking at the whole picture that gave AT&T a leadership position in the area of Relay Services as well as the broad field of Telecommunications. And, we have the patents and premiere industry-wide awards to prove it. So be amused, rather than confused, when you hear our competitors saying that *they* have the up-to-the-second specs to make Relay a more steadfast operation. Anything they put in front of you automatically has our stamp on it. Because even to compete in this arena, they have to study AT&T's 'blueprint.' *We* own the patent. *We* developed the technology.

In other words, *we* were first. AT&T has seen every fad come and go. Our telecommunications experience predates each of our closest competitors. Maybe that's why we can continue to offer the kind of quality products and services that foster complete customer satisfaction. Just consider Relay Services alone – we currently hold the TRS contracts for 13 states, the District of Columbia, US Virgin Islands, and Puerto Rico. And of those 13 states, two share your border and a third is just up theGulf Coast. Georgia, Alabama, and Mississippi all call on AT&T. Our success is in such close proximity that it's on display right in your neighborhood. We know the kind of marketing effort it takes to reach you consumer base. Come be a part of it, Florida! Be a part of our world.

The mountain will come to you!

I've heard it said that AT&T is not accessible. They're "too big," too "far away," too "involved with too many other interests to care about us."

Guess what? You don't have to contend with AT&T's corporate identity; you get to interact directly with me, Sue Decker. And when you need me, I'll be there. Phone me. FAX me. Write me. E-mail is fine. Smoke signals... Carrier pigeon. When it comes to improving the quality of life for even one individual, whatever works for you works for me. Just bear in mind, however, that my favorite color is blue, compliments make my day, and surprises around the Holidays are always nice. Go ahead and smile now. That last thought was just to show you I have a good sense of humor!

All kidding aside, I don't need gifts or glorified recognition for the job I'm doing. And I'm not even sure if that's the right word, because I don't really think of it as a "job." I'm devoted to my principles and my passion. This is my life's work. This is what I believe in. And it just so happens that, fortunately enough, my company believes in me. They want us both to be happy. And nothing would make me happier than to come to Florida and build a new Relay Center that will serve as an earmark for millions.

Our time is now –

I opened with a famous quote and I'd like to close with another. "It's never too late to be what you might have been." What is it you want to be, Florida? I'm ready, if you are.

Sue

D. Sue Decker
General Manager, Accessible Communications Services

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Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail OR Maximum Points
1.	SD	Format (RFP ref. Section C-1 and D)	N/A	N/A
2.	SD	Transmittal Letter, Address, Contact Person, Tel. and Fax No., Legal Name of Bidder, and Statement of Compliance with or lack of Compliance with RFP requirements(RFP ref. C-2)	1	P/F
3.	SD	Check List (RFP ref. C-8 and E)	6	P/F
4.	SD	Certification by FPSC and FCC (RFP ref. A-5)	12	P/F
5.	SD	Conflict of Interest (RFP ref. A-28)	23	P/F
6.	SD	Can provide by June 1, 2000 (RFP ref. B-3)	24	P/F
7.	SD	Term of Contract (RFP ref. B-4)	26	P/F
8.	SD	Access Numbers (RFP ref. B-5)	26	P/F
9.	SD	Location of Relay Center (RFP ref. B-6)	27	P/F
10.	SD	Availability of System to Users (RFP ref. B-7)	30	P/F
11.	SD	Minimum CA Qualifications and Testing (RFP ref. B-8)	30	100
12.	SD	CA Training (RFP ref. B-9)	33	100
13.	SD	Staff Training (RFP ref. B-10)	38	100
14.	SD	Counseling (RFP ref. B-11)	39	25
15.	SD	Procedures for Relaying Communications (RFP ref. B-12)	41	100

Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail OR Maximum Points
16.	SD	Interaction with Answering Machines and Voice Response Units (RFP ref. B-13)	47	25
17.	SD	Languages Served (RFP ref. B-14)	50	P/F
18.	SD	Additional Languages Served (RFP ref. B-15)	50	25
19.	SD	Shift Advisor/Consultant (RFP ref. B-16)	51	P/F
20.	SD	Confidentiality (RFP ref. B-17)	52	P/F
21.	SD	Voice and Hearing Carryover (RFP ref. B-18)	59	50
22.	SD	Obscenity (RFP ref. B-19)	61	P/F
23.	SD	Emergency Calls (RFP ref. B-20)	61	50
24.	SD	Blockage (RFP ref. B-21)	62	200
25.	SD	Answer Time (RFP ref. B-22)	63	200
26.	SD	Equipment Compatibility (RFP ref. B-23)	67	P/F
27.	SD	Transmission Levels (RFP ref. B-24)	67	P/F
28.	SD	Measuring Equipment Accuracy (RFP ref. B-25)	69	P/F
29.	SD	Emergency Operations (RFP ref. B-26)	69	50
30.	SD	Intercept Messages (RFP ref. B-27)	76	P/F
31.	SD	Service Expansion (RFP ref. B-28)	77	50

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Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail OR Maximum Points
32.	SD	New Technology (RFP ref. B-29)	78	50
33.	SD	Consumer Input (RFP ref. B-30)	82	100
34.	SD	Complaint Resolution (RFP ref. B-31)	86	200
35.	SD	Charges for Incoming Calls (RFP ref. B-32)	88	P/F
36.	SD	Billing Arrangements (RFP ref. B-33)	89	50
37.	SD	End User Billing (RFP ref. B-34)	93	50
38.	SD	Relaying Interstate or International (RFP ref. B-35)	95	50
39.	SD	End user Selection of Carrier (RFP ref. B-36)	96	50
40.	SD	Recipient of Toll Revenues (RFP ref. B-37)	98	P/F
41.	SD	Long Distance Call Billing (RFP ref. B-38)	99	50
42.	SD	Special Needs (RFP ref. B-39)	100	25
43.	SD	Custom Calling Type Features (Speed Dialing & Last Number Redialed) (RFP ref. B-40)	102	25
44.	SD	All Unsolicited Features in Basic Relay Service Price Proposal (RFP ref. B-41)	102	200

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Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail OR Maximum Points
		Optional Services Not In Basic Relay Service Price Proposal		
45.	SD	a. Other Custom Calling Type Services (RFP ref. B-42 a)	113	Optional/0 Points
46.	SD	b. 900/976 Services (RFP ref. B-42 b)	114	Optional/0 Points
47.	SD	c. Enhanced Transmission Speed and Interrupt Capability (RFP ref. B-42 c)	115	Optional/0 Points
48.	SD	d. Video Relay (RFP ref. B-42d)	116	Optional/0 Points
49.	SD	e. Speech to Speech Service (RFP ref. B-42e)	118	Optional/0 Points
50.	SD	f. Other Optional Features Not Included in Basic Relay (RFP Ref. B-42f)	119	Optional/0 Points
51.	SD	Submission of Monthly Invoice (RFP ref. B-44)	120	P/F
52.	SD	Travel (RFP ref. B-45)	121	P/F
53.	SD	Reporting Requirements (RFP ref. B-46)	121	P/F
54.	SD	Liquidated Damages (RFP ref. B-47)	124	P/F
55.	SD	Transfer to New Provider (RFP ref. B-48)	125	P/F
56.	SD	Insurance (RFP ref. B-49)	126	P/F
57.	SD	Public Entity Crimes (RFP ref. C-3)	127	P/F

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Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail OR Maximum Points
58.	SD	Financial Information (RFP ref. C-4)	127	P/F
59.	SD	Experience and customer references (RFP ref. C-5)	128	200
60.	SD	Bid Security Deposit (RFP ref. C-6)	131	P/F
61.	SD	Subcontractors (RFP ref. C-7)	132	P/F
62.	SD	PRICE PROPOSAL (RFP ref. Section D) Must be filed in a separate sealed envelope marked: "Sealed - To Be Opened Only By the FPSC Proposal Opening Officer"	133	See RFP Sec. D & E
		MAXIMUM TOTAL POINTS		**2125**

SECTION A – ADMINISTRATIVE REQUIREMENTS AND PROCEDURES

A. 1. ***Issuing Entity and Point of Contact***

This Request For Proposals (RFP) is issued by the Florida Public Service Commission (FPSC). The Commission's Proposals Review Committee (PRC) Chairman is the sole point of contact concerning this RFP and all communication must be made through the Proposals Review Committee Chairman, Mr. Richard Tudor. Mailed correspondence must be addressed to Mr. Richard Tudor, c/o Ms. Blanca Bayo, Division of Records and Reporting, The Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850 and should reference Docket No. 991222-TP. Facsimile correspondence can be directed to the PRC Chairman at (850) 413-6517. E-mail can be directed to the PRC Chairman at: rtudor@psc.state.fl.us

RESPONSE AT&T understands and accepts.

A. 2. ***Purpose***

This RFP is for the purpose of contracting for a Florida Relay Service (FRS) System that meets the needs of the people of the state of Florida pursuant to the Telecommunications Access System Act of 1991 and which satisfies or exceeds the relay system certification requirements of the Federal Communications Commission under the Americans with Disabilities Act. Bidders must comply with the requirements of both laws.

Section F is a copy of the annual report provided by the current relay provider concerning the Florida relay traffic for the months of June 1998 through May 1999. It appears that there is an error in the report regarding total call minutes. Accordingly, for informational purposes, the billable minutes for Florida Relay Service for the months of June 1998 through August 1999 are provided in Section G of this RFP. The Bidder assumes all responsibility for the accuracy of data from these reports and billable minute information in using them for bidding purposes.

RESPONSE AT&T understands and accepts.

A. 3. ***Other Applicable Laws/Legal Considerations***

This RFP and any resulting contract shall be governed by the laws of the State of Florida. The bidders and Provider shall comply with applicable federal, state and local laws and regulations.

The contract shall be construed according to the laws of the State of Florida. Any legal proceedings against any party relating to or arising out of this RFP or any resultant contract or contractual relation shall be brought in State of Florida administrative or judicial forums. Venue will be in Leon County, Florida.

RESPONSE

AT&T understands and accepts.

A. 4. ***Scope***

This RFP contains the instructions governing the proposal to be submitted and the material to be included therein, mandatory administrative and operational requirements which a bidder shall meet to be eligible for consideration, specific instructions for proposal submission and evaluation criteria.

RESPONSE

AT&T understands and accepts.

A. 5. ***Certificate of Public Convenience and Necessity***

The provider shall have a Florida certificate of public convenience and necessity or only use for relay service, telecommunications providers that have a Florida certificate of public convenience and necessity to provide local and intrastate interexchange service. The provider shall also have necessary FCC authority or only use for relay service, telecommunications providers that have necessary FCC authority to provide interstate and international service. The FPSC reserves the right to require certification of any entity pursuant to this contract.

RESPONSE

AT&T understands and will comply.

By order of the Florida Public Service Commission dated December 16, 1983, AT&T is certified and authorized to provide interexchange telecommunications services throughout the State of Florida. Also, AT&T is certified and authorized to provide alternative access vendor services in Florida. AT&T is also certified and authorized by the FCC to provide interstate and international relay services.

Upon successful award of this contract to AT&T, AT&T will gladly provide copies of these certificates if requested.

A. 6. ***Definitions/Acronyms***

The following terms, when used in this RFP, have the meaning shown below:

a. ***Abandoned calls*** *- Calls reaching the relay switch and terminated by the caller before a communications assistant answers regardless of the amount of time that has elapsed since the call reached the relay switch.*

b. ***Administrator*** *- A corporation not for profit incorporated pursuant to the provisions of chapter 617, F.S., and designated by the Florida Public Service Commission to administer the telecommunications relay service system and the distribution of specialized telecommunications devices. [s. 427.703(1), F.S.]*

c. ***Advisory Committee*** *- A group created by 427.706, F.S., and consisting of up to ten individuals named by the FPSC for the purposes described in Chapter 427, F.S.*

d. ***Answer time*** *- The point in the progression of inbound calls at the relay center when the communications assistant is ready to serve.*

e. ***Billable Minutes*** *- For the purpose of calculating and rendering bills to the Administrator [S.427.704(2), F.S.], billable minutes is the elapsed time between the time the incoming call enters the FRS provider's relay center switch and the completion of relay service. Total session time shall be rounded to the nearest one-tenth of a minute or less per session and the time for all call sessions shall be added together for all incoming calls during the month to produce the total billable minutes per month. The total of billable minutes for the month shall be rounded to the nearest one-tenth of a minute. In a session which includes a mix of intrastate toll or local calls and interstate or international calls, the time associated with the interstate or international calls shall not be included in the billable time for that call session.*

f. ***Blocked calls*** *- Calls reaching the relay switch which do not terminate by ringing a communications assistant position.*

g. ***Communications Assistant (CA)*** *- A person who relays conversation to and from users of a relay system, normally converting the conversation between text and voice. The CA may also be a mechanized device that meets the requirements described for the Florida Relay Service.*

h. ***Deaf*** *- Having a permanent hearing impairment and being unable to discriminate speech sounds in verbal communication, with or without the assistance of amplification devices. [s.427.703(3), F.S.]*

i. ***Dual Sensory Impaired*** *- Having both a permanent hearing impairment and a permanent visual impairment and includes deaf/blindness. [s.427.703(4),F.S.]*

j. ***FPSC*** *- Florida Public Service Commission*

k. ***FRS*** *– Florida Relay Service*

l. ***General Assistance Calls*** *– Incoming calls to the CA that are not associated with an outgoing relay call. Such calls may sometimes be to provide information about using relay or other types of calls that would normally be handled by customer service.*

m. ***Hard of Hearing*** *- Having a permanent hearing impairment which is severe enough to necessitate the use of amplification devices to discriminate speech sounds in verbal communication [s.427.703(5),F.S.]*

n. ***Hearing Impaired or Hearing Disabled*** *– Being deaf or hard of hearing and includes being dual sensory impaired [s.427.703(6), F.S.]*

o. ***Hearing Carryover*** *– A feature that enables a user with a speech disability to utilize his useable hearing for direct reception of voice communications and to use the FRS CA for conversion of the user's communications from TDD to voice.*

p. ***Incoming Call*** *– An incoming call refers to the portion of the communications connection from the calling party to the relay service center. An incoming TDD call is a call originated by a TDD user. An incoming telephone call is a call originated by a telephone user. An incoming call includes calls to the relay service telephone number for completing a relay call as well as general assistance calls.*

q. ***Minor Irregularity*** *– A variation from the request for proposal terms and conditions which does not affect the price of the proposal, does not give the bidder a significant advantage of benefit not enjoyed by other bidders, or does not adversely impact the interests of the agency.*

r. ***Outgoing Call*** *– An outgoing call refers to the portion of the communications connection from the relay service center to the called party. An outgoing TDD call is a call to a TDD user. An outgoing telephone call is a call to a telephone user.*

s. ***Provider*** *– The entity with whom the FPSC contracts to provide Florida Relay Service pursuant to this contract.*

t. ***PRC*** *– Proposals Review Committee*

u. ***Speech Impaired or Speech Disabled*** *– Having a permanent loss of verbal communication ability which prohibits normal usage of a standard telephone set. [s.427.704(10). F.S.]*

v. ***STS or Speech to Speech*** *– A service that enables a person with speech disabilities to use relay service with his own voice or voice synthesizer, rather than using a TDD. A specially trained CA functions as a human translator for people with speech disabilities who have trouble being understood on the telephone. The STS CA repeats the words of the speech disabled user to the other party on the call.*

w. ***Telecommunications Device for the Deaf (TDD or TTY)*** *– A mechanism which is connected to a standard telephone line, operated by means of a keyboard, and used to transmit or receive signals through telephone lines. The term includes mechanisms equipped with sight assisting devices such as large print screen or braille printer and also includes computers. [s.427.703(14). F.S.]*

x. ***User*** *– Includes either the calling or called party in a relay call.*

y. ***Video Relay*** *– Video relay interpreting allows the caller, utilizing video conferencing facilities, to use sign language to communicate with the CA who voices the call to the hearing person at the receiving end.*

z. ***Voice Carryover*** *– A feature that enables a user with a hearing disability to utilize his useable speech for direct expression of voice communications and to use the FRS operator for conversion of the other user's communications from voice to TDD.*

RESPONSE

AT&T understands and accepts.

A. 7. ***Key Dates***

(The following dates are targets, the FPSC reserves the right to change the dates.)

Release RFP .... *October 7, 1999*

Bidders' Conference.. *October 14, 1999*

Deliver Final Questions
About RFP to PRC Chairman.......... *3:00 pm Eastern Time, October 25, 1999*

TECHNICAL AND PRICE PROPOSAL
DUE DATE & TIME...................... *3:00pm Eastern Time, November 10, 1999*

Recommendation Presentation to the FPSC......................... *January 11, 2000*

Letter of Intent .... *January 14, 2000*

Performance Bond Due.. *Upon execution of contract*

Begin Service.. *June 1, 2000*

RESPONSE AT&T understands and accepts.

A. 8. ***Questions Concerning RFP***

Prior to or after the bidders' conference, potential bidders may submit, in writing, questions regarding the RFP. To the extent practical, such questions concerning the RFP will be responded to at the bidders conference. Questions filed after the bidders' conference will be responded to in writing to known potential bidders, if time permits. All questions should be received by the PRC Chairman by 3:00 p.m. Eastern Time, October 25, 1999.

RESPONSE AT&T understands and accepts.

A. 9. ***Amendments or Supplements to RFP***

In the event that it becomes necessary to revise or clarify any part of this RFP, an amendment or supplement will be provided to each bidder of record receiving the original RFP.

RESPONSE AT&T understands and accepts.

A. 10. ***Restrictions on Communications***

From the issue date of this RFP until a provider is selected, bidders are not to communicate with any FPSC Commissioner or staff member or Advisory Committee member regarding this RFP except for: a) written correspondence to or from the PRC Chairman or b) oral discussions at the bidders conference or at an oral interview or site visit. For violation of this provision, the FPSC reserves the right to reject the proposal.

RESPONSE AT&T understands and will comply.

A. 11. ***Bidders' Conference***

A public bidders' conference in connection with this RFP will be held on October 14, 1999. The conference will be at 9:30 AM in Room 152 of the Easley Building, 4075 Esplanade Way, Tallahassee, FL. The FPSC will transcribe the proceedings of the bidders' conference. An overview of the RFP will be presented. Written questions submitted in compliance with Paragraph A.8. above will be addressed. In addition, the PRC will make every attempt to respond to questions from the floor; however, depending on the question asked, a complete response may have to be deferred until after the conference

RESPONSE AT&T understands and accepts.

A. 12. ***Modifications, Withdrawals, and Late Proposals***

Proposals may only be modified or withdrawn by the bidder up to the established filing date and time. It is the responsibility of the bidder to ensure that the proposal is received by the Division of Records and Reporting on or before the proposal due date and time. Both technical and price proposals must be filed by November 10, 1999, at 3:00 pm eastern time. ***Late proposals will not be accepted.***

RESPONSE AT&T understands and accepts.

B. 13. ***Bidding Costs.***

Neither the FPSC nor the FRS system is liable for any costs incurred by a bidder in conjunction with development of its bid.

RESPONSE AT&T understands and accepts.

	A. 14.	***Rejection of Proposals, Correction of Errors*** *The PRC Chairman and FPSC reserve the right to reject any or all proposals. The PRC Chairman and the FPSC also reserve the right to accept proposals despite minor irregularities and to allow a bidder to correct such minor irregularities.*
RESPONSE		AT&T understands and accepts.
	A. 15.	*Technical and Price proposals will each be made available to the general public within ten (10) days after each is opened. The price proposals will not be opened until after the technical proposals are evaluated. The FPSC may issue press releases or public announcements concerning filed proposals or the bid process.*
RESPONSE		AT&T understands and accepts.
	A. 16.	***Protests*** *Failure to file a protest of either the RFP or the letter of intent within the time prescribed in subsection 120.57(3), Florida Statutes, shall constitute a waiver of proceedings under Chapter 120, Florida Statutes.*
RESPONSE		AT&T understands and accepts.
	A. 17.	***Letter of Intent/Notification to Bidders*** *Upon selection of a potential provider by the Commission, the Commission will issue a letter of intent to the potential provider. The letter of intent is the point of entry to protest the award pursuant to Section 120.57(3), F.S. A contract shall be completed and signed by all parties concerned within thirty (30) days of mailing the letter of intent. If this date is not met, through no fault of the FPSC, the FPSC may elect to cancel the letter of intent and make the award to another bidder. All bidders will receive a copy of the letter of intent by certified mail, return receipt requested.*
RESPONSE		AT&T understands and accepts.

A. 18. ***Award of Contract***

The FPSC shall award the contract to the bidder whose proposal is the most advantageous to the state, taking into account the following considerations in Section 427.704(3)(a), Florida Statutes:

a. The appropriateness and accessibility of the proposed telecommunications relay service for the citizens of the state, including persons who are hearing impaired or speech impaired;

b. The overall quality of the proposed telecommunications relay system;

c. The charges for the proposed telecommunications relay service system;

d. The ability and qualifications of the bidder to provide the proposed telecommunications relay service system as outlined in the RFP;

e. Any proposed service enhancements and technological enhancements which improve service without significantly increasing cost;

f. Any proposed inclusion of provision of assistance to deaf persons with special needs to access the basic telecommunications system;

g. The ability to meet the proposed commencement date for the FRS;

h. All other factors listed in the RFP.

RESPONSE AT&T understands and accepts.

A. 19. ***Award Without Discussion***

The FPSC reserves the right to make an award without discussion of proposals with the bidder. Therefore, it is important that each technical and price proposal be submitted in the most complete, understandable and accurate manner possible.

RESPONSE AT&T understands and accepts.

A. 20. ***Oral Interviews/Site Visits/Written Data Request***

Bidders may be asked to participate in oral interviews, respond to a written data request, make their facilities available for a site inspection by the PRC or make their financial records available for FPSC audit. Such interviews, site visits and/or audits will be at the bidder's expense except that the PRC will pay for its own expenses (transportation, meals, housing, etc.) Bidders should come to oral interviews prepared to answer the PRC's questions and the bidder's primary contact person (person signing the letter of transmittal accompanying the RFP or his designee) shall be present at all meetings with the PRC or FPSC.

RESPONSE AT&T understands and accepts.

A. 21 ***Contract Document***

The successful bidder will be required to sign a contract which will include the following elements:

a. The RFP,

b. The bidder's Proposal in response to the RFP,

c. A document identifying any modifications or clarifications to the proposal and identifying optional items contained in the proposal and desired by the FPSC to be included in the FRS.

All of the above items together will constitute a complete initial contract that will be approved by the FPSC's Executive Director on behalf of the FPSC.

RESPONSE AT&T understands and will comply, provided that any subsection (c) document be approved and executed by the bidder before constituting part of the contract.

A. 22 ***Limited Liability***

To the extent provided for in Florida Statute 427.707, the FPSC, its Advisory Committee and PRC assume no liability with respect to the RFP, proposals or any matters related thereto unless there is malicious purpose or wanton and willful disregard of human rights, safety or property in the establishment, participation in or operation of the telecommunications relay service.

To the fullest extent permitted by law, all prospective service providers and their assigns or successors by their participation in the RFP process, shall indemnify, save and hold the FPSC and its employees and agents, including the Advisory Committee and PRC, free and harmless from all suits, causes of action, debts, rights, judgements, claims, demands, accounts, damages, costs, losses and expenses of whatsoever kind in law or equity, known and unknown, foreseen and unforeseen, arising from or out of the RFP and/or any subsequent acts related thereto, including but not limited to the recommendation of a bidder to the FPSC and any action brought by an unsuccessful bidder.

RESPONSE

AT&T takes exception to the requirement that it indemnify FPSC and its employees and agents from all claims arising out of the RFP. AT&T will agree to indemnify FPSC for any third party claims related to any breach of AT&T's contractual commitments pursuant to an award of the RFP. AT&T's liability for any failure or breach of this contract shall be limited to direct, proven damages. AT&T disclaims liability for any indirect, consequential, loss of profit, punitive or special damages. With respect to contractual events for which liquidated damages are set forth in RFP section B.47, the FPSC's sole remedy shall be the liquidated damages provided for and agreed to by AT&T.

A. 23. Disclaimer

All information contained in the RFP, including any amendments and supplements thereto, reflects the best and most accurate information available to the FPSC at the time of the RFP preparation. No inaccuracies in such information shall constitute a basis for change of the payments to the provider nor a basis for legal recovery of damages, either actual, consequential, or punitive.

RESPONSE

AT&T understands and accepts.

A. 24. Cancellation/Availability of Funds

The FPSC shall have the right to unilaterally cancel, terminate, or suspend any ensuing contract, in whole or in part, by giving the Provider sixty (60) days written notice by certified mail. If a breach of the contract by the Provider occurs, the FPSC may, by written notice to the Provider, terminate the contract upon 24 hours notice. Said notice shall be delivered by certified mail, return receipt requested, or in person with proof of delivery. The provisions herein do not limit the FPSC's right to remedies at law or to damages.

During the life of the contract, should funds become unavailable to support the telecommunications relay service system, the FPSC reserves the right to discontinue the service for a period of time, to adjust service specifications, or to discontinue the provision of certain services in order to reduce costs.

RESPONSE

AT&T understands and will comply subject to an entitlement to recover from FPSC any costs incurred by AT&T which are non-recoverable in the event of FPSC's termination without cause.

B. 25. Public Bidder Meetings and Proprietary/Confidential Information

Written requests for confidentiality shall be considered by the FPSC as described in Chapter 364.183, F.S. Rule 25-22.006, F.A.C., should be followed in making a request.

Meetings held between the FPSC or PRC and bidder shall be open to the general public. Should the need arise to discuss any confidential materials, the FPSC or PRC will attempt to hold such a discussion by referring to the confidential material in a general way without closing the meeting. All meetings with bidders will be transcribed.

All material submitted regarding this RFP becomes the property of the FPSC and subject to Chapter 119, F.S. (Public Records Law). The PRC reserves the right to use any or all information/material presented in reply to the RFP, subject to any confidentiality granted via Chapter 364, F.S. Disqualification of a bidder does not eliminate this right.

RESPONSE

AT&T understands and accepts.

A. 26. Non-Collusion

By submitting a proposal, the bidder affirms that the proposed bid price has been arrived at independently without collusion, consultation or communication with any other bidder or competitor, that the said bid price was not disclosed by the bidder prior to filing with the FPSC, and that no attempt was made by the bidder to induce any other person, partnership or corporation to submit or not submit a proposal.

RESPONSE

AT&T understands and accepts.

A. 27. ***Changes in Contract***

Any change in the contract shall be accomplished by a formal written contract amendment signed by authorized representatives of both the FPSC and the provider. No other document or oral communication shall be construed as an amendment to the contract.

RESPONSE

AT&T understands and accepts.

A. 28 ***Conflict of Interest***

The award hereunder is subject to the provisions of Chapter 112, Florida Statutes (Public Officers and Employees). All bidders shall disclose with their bid the name of any officer, director, or agent who is also an employee of the state of Florida, or any of its agencies. Further, all bidders shall disclose the name of any state employee who owns, directly or indirectly, an interest of five percent or more in the bidder's firm or any of its branches.

RESPONSE

AT&T does not have any conflict of interest. There are no officers, directors, agents or other AT&T employees who are also employees of the state of Florida. There are no Florida state employees who own directly or indirectly an interest of five (5) percent or more in AT&T or any of is branches.

A. 29 ***Minority Business***

It is the policy of the Commission to encourage participation by minority business companies (as defined in s. 287.012, F. S.) in Commission contracts. If two identical bids/proposals to an invitation for bids or request for proposals are received and one response is from a minority owned company, the Commission shall enter into a contract with the minority owned company. If applicable, the bidder should include in its proposal evidence that it qualifies for the definition of a minority business

RESPONSE

AT&T understands and accepts.

Appendix A contains the booklet, *AT&T 1998 Supplier Diversity Annual Report*, which outlines and describes AT&T's commitment to Supplier Diversity – including Minority-owned Business Enterprises (MBE).

SECTION B – THE SERVICE TO BE PROVIDED

B. 3 ***Commencement Date***

The commencement date for the service is June 1, 2000. Bidders shall provide a work schedule showing how they can meet that deadline and shall provide a statement that they can provide the complete service by that date.

RESPONSE

AT&T has read and will comply.

With talent, teamwork, and tireless optimism serving as our constants – completion of the new AT&T Florida Relay Center will remain on schedule.

AT&T will commence service on June 1, 2000. Once awarded the TRS contract, AT&T will engage in a detail transition plan with the incumbent Florida provider (MCI). A "Transition /Implementation Kick-off" meeting will be held with all stakeholders. Topics will include, but will not be limited to, specifics such as cutover dates and special facilities access. It will also cover the variation between incumbent's TRS and AT&T's TRS. This would allow the FPSC a "change-awareness" (e.g. new features, services, phrases available from AT&T) and would allow AT&T and the FPSC to proactively notify end-users through web sites, mailers, or other means.

AT&T has participated in numerous State TRS transitions, as both the incumbent provider and new contractor. We recognize the nuances of each. As the contract is awarded, a dedicated project manager will be assigned the responsibility of building the proper implementation teams, which ultimately guarantees that no Florida TRS users will be impacted during the transition.

The proposed work schedule for implementing service on June 1, 2000 follows. AT&T may modify this schedule to accomplish the implementation of service.

Timeline

Award of Service	January 11, 2000
Identify real estate for Florida center. Publicly advertise CA positions and initiate recruitment process using deaf organizations and other relay advocates.	January 15, 2000
Begin writing training addendums for training and Methods & Procedures	February 1, 2000
Initiate call to incumbent provider. Begin establishing communications with key advocates and state customers. Begin construction of Florida Relay Center.	March 15, 2000
Initiate network orders for access.	April 10, 2000
Initiate orders for Carrier of Choice access. Initiate marketing plans for Florida TRS: press releases and Media resources to community organizations	April 17, 2000
Distribute all training documents to Trainers and FL Center Management Team	May 1, 2000
Training of CA's begins. (2 classes a day for four weeks)	May 8, 2000
Complete installation of network access	May 15, 2000
Complete installation of Carrier of Choice access. Continue training CA's in Florida Center. Send letters, articles, and press releases to Relay users and organizations educating relay users and introducing AT&T Relay Service and notices of any service changes	May 17, 2000
Complete checklist and walk-through with the FPSC officials. Pre-opening celebration.	May 25, 2000
Begin handling Florida TRS traffic from incumbent provider into AT&T Florida call center	June 1, 2000

B. 4 ***Term of Contract***

Service shall begin on June 1, 2000. The term of the contract will be an initial three year period. Upon mutual agreement between the FPSC and the provider, the contract may allow for the term to be extended for up to two additional one year periods. By June 1, 2002, and June 1, 2003, the provider should notify the Florida Public Service Commission of its desire to extend for an additional year.

RESPONSE

AT&T has read and understands.

B. 5 ***Access Numbers***

There shall be a single access number for TDD users, a single access number for voice users, a single access number for ASCII users, and a single access number for Spanish users. TDD access shall be by using the number 800-955-8771, voice access shall be by using the number 800-955-8770, and ASCII access shall be by using the number 800-955-1339. The provider shall secure a toll free telephone number for Spanish access. The provider must request FPSC authority to use additional numbers for relay access (e.g., STS, other foreign languages, etc.). If a caller calls the wrong access number, the system shall process the call without requiring the caller to redial.

RESPONSE

AT&T understands and will comply.

AT&T concurs with the FPSC's suggestion to provide a separate number for TDD, Voice, ASCII and Spanish users. This access method is the best alternative for quick and accurate TRS connectivity. The toll free number currently in use for the Florida Relay Service will be transitioned to AT&T seamlessly, as toll free numbers are fully portable between Inter-Exchange Carriers (IXCs). Florida Relay users may also use (with the FPSC's authority) AT&T's nationwide numbers for Telebraille, Speech-to-Speech, and Spanish-to-Spanish relay as follows:

Telebraille:	**1-800-855-2883**
TTY Spanish:	**1-800-855-2884**
Voice Spanish:	**1-800-855-2885**
ASCII Spanish:	**1-800-855-2886**
Speech-to-Speech:	**1-800-229-5746**

Specialized toll-free numbers for Spanish language customers allow AT&T to promptly provide specially-trained CAs for call processing. Similarly, a direct toll-free line for Telebraille users decreases the call set-up time. Also, when necessary, emergency calls can be responded to more efficiently.

With AT&T's Relay Choice℠ Profile, customers will be able to request that their choice of connect mode be automatically selected whenever they call the Florida Relay Service.

This will provide customers with an even more efficient and speedy connection for their call. Thus, Baudot users will be promptly connected using the Baudot protocol without the brief delay required to check for ASCII protocol. Users requiring VCO, HCO, and similar services will be able to include this in their Relay Choice℠ Profile and will thereby be connected and provided the service without having to ask with each call. Relay Choice℠ Profile is keyed to the user's ANI.

In the event that a Florida Relay Service user calls the wrong access number, CAs using AT&T's technology will be able to complete the call without requiring the caller to redial.

B. 6 Location of Relay Center

The provider shall be required to locate a relay center in the State of Florida. A minimum of 80 percent of Florida relay traffic shall be handled by the Florida located center except when emergency conditions exist at the Florida center. Emergency conditions that would justify handling what is normally Florida traffic outside the state would include situations such as natural disasters, bomb threat, etc. and would not include traffic spikes.

Notwithstanding the above requirement, during the months of June, July and August, 2000, the provider may handle all Florida relay traffic using out-of-state relay centers. The 80% minimum Florida traffic handled out of a Florida center must be met beginning with the month of September, 2000.

RESPONSE

AT&T understands and will comply.

AT&T will handle at least 80% of Florida traffic in a relay center located within the state of Florida.

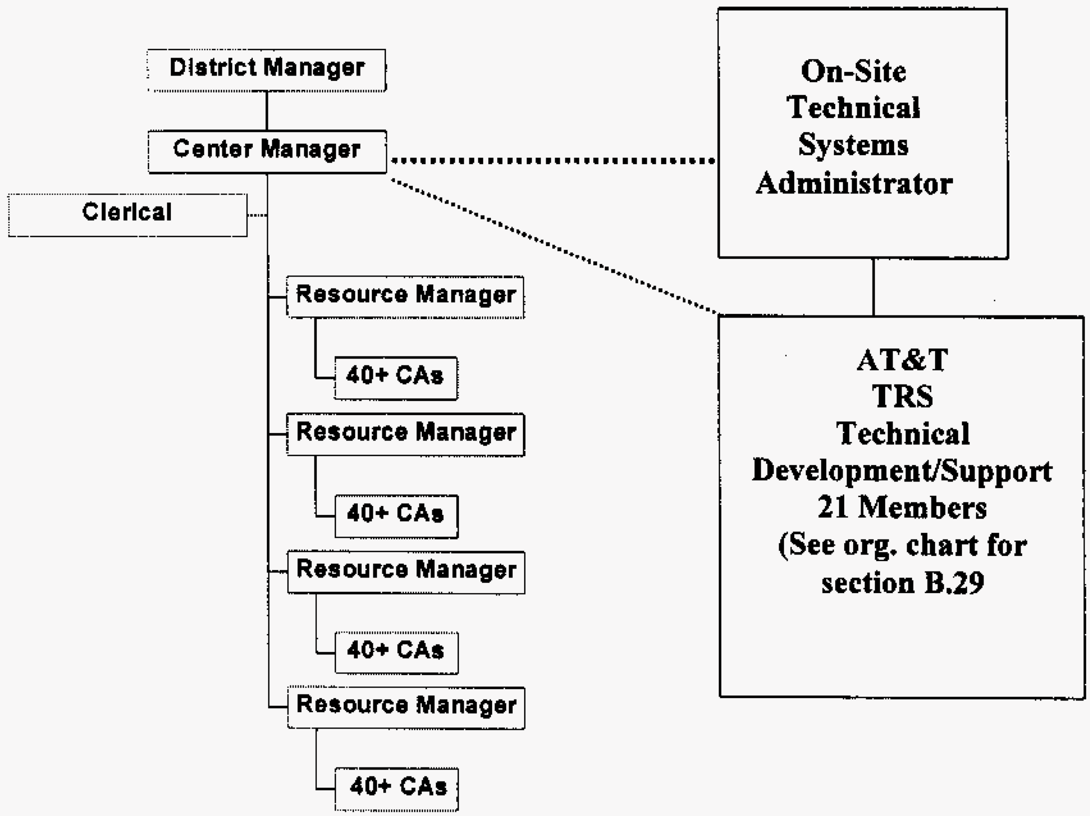
AT&T has utilized Florida Department of Labor's employment statistics, as well as its own employment professionals, to determine a number of areas that provide a sizeable pool of potential employees. A professional real estate search firm has been engaged to locate suitable space in several markets including Lakeland, in Polk County and Fort Pierce in St. Lucie County. Additional searches have been conducted in the Orlando and Jacksonville areas. The initial search has turned up several excellent facilities of 20,000 square feet or more located within these prime employment markets.

AT&T will provide a new relay center environment that is customized to the needs of the residents of the state and tailored to the human needs of the relay center employees. At least 80% of Florida traffic will be handled in this new center except in the event of emergency conditions. See Section B.26 for details on Emergency Operations and Uninterruptible Power.

As AT&T narrows its choice of locations within Florida, the state can be assured of realizing the benefits of AT&T's long history of success in building, staffing, and operating world-class call centers.

A mockup organizational chart for the Florida Relay Center follows.

FLORIDA RELAY CENTER



B. 7 ***Availability of System to Users***

The service shall be designed to relay local, intrastate toll and interstate and international calls that originate or terminate in Florida. Relay service shall be available 24 hours per day every day of the year. No restrictions shall be placed on the length or number of calls placed by customers through the relay center.

RESPONSE

AT&T understands and will comply.

The Florida Relay Service will be available at all times (24 hours a day, seven days a week, 52 weeks a year.) Callers will be able to request a local, intrastate toll, interstate, or international relay call. The Florida Relay Service will process calls that originate or terminate in Florida.

B. 8 ***Minimum CA Qualifications/Testing***

The provider shall adequately supervise and train its employees to always be courteous, considerate and efficient in their contact and dealings with its customers and the public in general, and shall make checks from time to time to ensure that courteous service actually is being rendered.

Bidders shall specify how they plan to demonstrate that CAs meet all necessary proficiency requirements. CAs shall be able to quickly and accurately type TDD relay messages. The provider shall use valid, unbiased tests for CAs on subjects including, but not limited to:

- *a. Basic skills in English grammar.*
- *b. A minimum typing speed of 55 words per minute.*
- *c. Minimum spelling skills sufficient to quickly and easily spell words comparable to a beginning college level conversation.*
- *d. An understanding of characteristics of limited written English and American Sign Language (ASL) as it may be reflected in the written language of TDD users.*
- *e. Deaf culture.*
- *f. Ethics, e.g. how a CA deals with situations he may encounter*
- *g. Confidentiality.*
- *h. Clarity of speech.*

Any person who has not passed this examination shall not be utilized as a CA. CAs shall be retested at least annually.

RESPONSE

Everyone who is employed by AT&T Relay Services arrives with a degree or formal training – most from prestigious learning institutions. We provide them with continual training, but their most valuable assets forever remain the lessons life has taught them.

AT&T understands and will comply.

AT&T understands that relay customers want competent, courteous, considerate and efficient CAs relaying their calls. AT&T's management design provides for effective supervision and training of employees, incorporating a system of service checks to ensure professional and quality service is always received.

AT&T has in place a rigorous, unbiased testing process that will assess a CA's skills in meeting the necessary proficiency requirements.

To qualify for employment, a prospective CA is required to pass a battery of tests. These tests cover numerous topics such as basic skills in English grammar, vocabulary, spelling, reading comprehension, mathematics, the ability to follow directions, customer service and typing. These tests are designed for college level conversation. They ensure that prospective CAs will be capable of handling a variety of call types ranging from conversations between small children to those which include professionals, such as doctors, lawyers and engineers.

Before becoming a Florida Relay Service Communications Assistant, applicants are required to meet our qualifications on the following tests (AT&T strictly adheres to test standards):

a) **English grammar** - General Comprehension and Ability Screen – Tests English grammar, reading accuracy, following directions, drawing relationships and number grouping.

b) **Typing a minimum of 55 correct words per minute** – AT&T's typing test for employment as a CA in our relay centers requires applicants to successfully type at a minimum of 55 words per minute using an audio-typing test. Only those applicants that can demonstrate 55 accurate words per minute typed will be considered for employment by the Florida Relay Service. ***Average typing speed in AT&T Relay Centers is 85 words per minute.***

c) **Spelling skills** - Spelling Test - Screens the applicant's spelling skills including knowledge of spelling rules and principles. The applicants must demonstrate the ability to quickly, easily and accurately spell words comparable to a beginning college level conversation.

d) **Customer Service** – Screens the applicant's ability to respond to a variety of customer contact situations including diffusing an irate customer, providing assistance, and trouble-shooting. The applicant is assessed on ability to problem-solve, to display a courteous and professional manner and ability to escalate issues.

Any person who does not meet and pass these entrance examinations will not be invited to a job/site visit.

The prospective CA is then required to have a job/site visit and meet with center management. The job/site visit serves as an interview to determine if the individual possesses additional attributes that would serve well as a Communication Assistant. Once the prospective CA has passed all employment tests, completed the job visit and has been deemed a "good match" for the position of Communication Assistant, s/he must undergo AT&T's extensive and comprehensive initial training for new hires.

During Initial Training, CAs will be required to successfully pass written and hands on diagnostic assessments on the following before relaying customer calls:

e) **ASL and Limited English** - AT&T CAs are carefully trained to be able to understand deaf people who may be using limited English. The CAs are also instructed and trained on how to translate typewritten ASL into English and how to translate limited written English into correct English.

f) **Deaf Culture** – The CA will be administered an assessment on their knowledge of deaf culture and would be observed and rated on sensitivity and ability to serve and interface with deaf and hard of hearing customers

g) **Ethics** – CAs are administered an assessment on knowledge of rules and policies around our Code of Ethics. CAs must pass this assessment before relaying customer calls. CAs are assessed both in initial training and subsequent training, via role plays and exercises on how they would handle a variety of situations concerning ethics.

h) **Confidentiality** – CAs are required to sign a personal pledge of both Confidentiality and Code of Ethics before relaying their first call. CAs are also tested on their knowledge of Confidentiality Standards. CAs must demonstrate the knowledge and ability to deliver confidentiality of service.

i) **Clarity of Speech** – CAs are assessed on Clarity of Speech during initial and subsequent training. A successful score is required before becoming a CA.

New CAs must demonstrate their ability to perform the requirements above by successfully passing all written diagnostic and hands-on diagnostics. All CAs are retested at least annually to ensure skills are maintained at a level that meets AT&T high standards as well as the requirements for the Florida Relay Service.

B. 9 ***CA Training***

Each bidder shall demonstrate in its proposal how ongoing CA training will be provided by including with its proposal an outline of a proposed CA training plan. The provisions for CA training shall include, but not be limited to, an understanding of limited written English and ASL, deaf culture, needs of hearing and speech disabled and dual sensory impaired users, ability to speak in a tone of voice consistent with the intent and mood of the conversation, operation of relay telecommunications equipment, how to handle hearing and voice carryover, ethics, confidentiality and other requirements of the Provider's operating policies and procedures. Training shall include both simulated and live on-line call handling.

RESPONSE

AT&T understands and will comply.

AT&T recognizes the importance of providing training to ensure that the CA can effectively meet the specialized communications needs of users who are deaf, hard-of-hearing, late deafened and speech disabled. Our training program is grounded in lessons that teach and raise the CA's awareness of the needs of people with speech and hearing disabilities. AT&T's Core TRS Training Curriculum enhances the skills, training and development of all CAs.

AT&T TRS training programs are developed and delivered in partnership with deaf members of AT&T's staff, many of who are graduates from Gallaudet University and National Technical Institue for the Deaf (NTID). AT&T also partners with members of the deaf, hard-of-hearing and speech disabled communities to deliver cross-cultural training for our Communication Assistants. AT&T has partnered with several Deaf Cultured professionals (e.g. TDI) to ensure that our training is effective in providing well-trained CAs who can meet the needs of our relay customers. When CAs are hired, they first complete the curriculum for Initial Training Program. The first three weeks of training will focus on the following subjects:

- Orientation to Florida Relay Service
- Cross Cultural Training on the Needs of People with Disabilities including the Deaf, deaf, hard-of-hearing, deaf/blind, and speech-disabled
- Technical Training - Operating Relay Equipment
- Attributes of a Quality Call
- Customer Service - Language and Etiquette
- Ergonomics
- Basic Relay Methods and Procedures
- American Sign Language ASL/Syntax

Cross Cultural Training provides education and awareness of the needs of people who are deaf, deaf/blind, hard of hearing or speech disabled. It also provides education on limited written English and ASL Syntax for interpretation per customer's request. Additional ASL classes are provided on the job by trained ASL professionals. Ethics and Confidentiality training are also taught and reinforced at several points in initial and Continuation training.

All Florida Relay Service CAs will undergo a set of diagnostic tests upon completion of any training. The tests are administered at both the final phase of the initial training and upon completing all the modules of Continuation Training. Diagnostics evaluate knowledge of methods and procedures, customer service and typing skill level. The test is a series of controlled call simulations and written tests. The diagnostic system evaluates the CA's progress and frames a development plan to improve and strengthen performance. If opportunities for improvement are identified additional training time is made available. Examples of tools that would be used for a development plan include typing tutorials, classroom retraining, workshops, individual or peer coaching.

Upon completion of the Initial and Continuation Training modules, AT&T CAs receive a considerable amount of on-going training. and development AT&T has a commitment of ensuring that each CA is given a minimum of forty (40) hours of formal training and development each year. This further exemplifies AT&T's commitment to ensuring that our CAs are the most competent and well-trained in the industry.

AT&T's On-going Training and Development provides ample opportunities for training on new procedures or new equipment. Every training session is closed with simulated call exercises and written diagnostics. The training and development sessions are conducted in the classroom and at a CA workstation. Additionally, every CA along with his/her respective manager designs and develops a personal Performance Management portfolio that is used throughout the year as a reference for meeting individual performance metrics and for outlining performance improvement activities. One of the required elements of the individual Performance Management portfolio calls for regular side-by-side monitoring followed by immediate feedback and development.

An outline of the CA training plan follows.

Overview of the CA Training Curriculum

INITIAL TRAINING FOR NEW CAs:

Day 1: Orientation - Introduction to AT&T and Florida Relay Service. Includes intensive in the areas of Code of Conduct, Code of Ethics, and Confidentiality

Day 2: Cross Cultural Training – Introduction of our relay users, ASL training and needs of individuals who are speech/ hearing impaired.

Day 3: Technical Training – Introduction to the operation of relay telecommunications equipment.

Days 4 – 10: Basic Methods & Procedures – Training on the AT&T Core Methods which include but is not limited to: basic relay, carry over, billing records, emergency calls, alternate billed calls (i.e. collect, calling card, 3rd number, etc.), voice and hearing carryover, answering machines, etc

Day 11: Ergonomics - Introduction to how Communications Assistants can prevent injuries and physical stress on the job.

Day 12: Customer Service Training - Focus on customer service, skills, language and etiquette, understanding the mandates of the ADA, the delivery of the attributes of a high quality call.

Day 13: ASL Syntax Style and Grammar – Introduction to ASL Syntax and how to translate ASL Syntax into standard spoken English.

Day 14: CA Assessment Skills - Once the CA has completed the Initial Training, he/she will take written and hands-on diagnostic tests to assess areas of development, his/her skill and knowledge of relay. The CA will have an opportunity to handle simulated and live calls with the trainers sitting next to him/her for coaching purposes. After completing the diagnostics, it will be decided whether the CA would be qualified to handle live calls without the trainers' presence.

CONTINUATION TRAINING FOR NEW CAs:

AT&T's Initial Training for new CAs is complimented by our structured continuation training modules which introduces a new relay call type or feature while reinforcing learnings addressed during the Initial Training period. The Continuation Training modules, which are scheduled weekly following successful completion of Initial Training, can be rearranged according to the individual needs of the CA.

CT Module 1: Operator Service for the Deaf

CT Module 2: Coin Originated & PrePaid Cards

CT Module 3: 2 Line VCO

CT Module 4: OSD to Relay Switching

CT Module 5: More on Card Billing

CT Module 6: Single Line Answering Machines

CT Module 7: More on Customer Service

CT Module 8: Back End Automation

CT Module 9: Emergency Calls

CT Module 10: Hands On and Written Diagnostics

On-going Training - Upon completion of diagnostics a development plan is created with the input of the trainer, CA coach and manager. The plan identifies individual training needs and the tools that are available to the CA. Examples of on-going training and performance development tools are:

- Methods and Procedures Job Aids
- Training Tips on Attributes of a Quality Call including coaching on processing calls quickly and efficiently
- Monthly method and training coverages which highlight a specific call type or call attribute
- Typing Tutorials
- Ergonomics
- Diversity Training
- Alliance Classes
- Regular Customer Service Training package that highlights voice, tone, professionalism, and attitude and manner. Examples include but are not limited to:
  - Sound of Your Voice
  - Put Yourself in the Customer's Shoes
  - Listening Skills
- ASL and Deaf Culture Subsequent Training
- Upgrades in Technology
- Continual emphasis on confidentiality

AT&T CAs are also encouraged and eligible to participate in additional training off the job. AT&T's excellent Tuition Reimbursement Plan makes it very attractive for employees to continue with their formal education.

AT&T meets the challenge for preparing its CAs to succeed and become successful.

AT&T

B. 10 Staff Training

All relay center staff, including management, shall receive training in ASL, deaf culture, needs of hearing, speech and dual sensory impaired users, and ethics and confidentiality. Each proposal should include an outline of a staff training plan indicating training topics and time frames as well as explaining how individuals or organizations (such as deaf service centers, state agencies, universities, etc.) representing the hearing and speech impaired community would be used to assist with the training.

RESPONSE

AT&T understands and will comply.

AT&T strongly believes that every manager and supervisor should be thoroughly familiar with the needs of the relay users as well as with general relay call processing. For this reason, we require every manager and supervisor to successfully complete the initial training curriculum. This includes both the technical modules as well as the Cross-Cultural modules that focus on ASL, Deaf Culture, Needs of the TDD user, Ethic and Confidentiality. The Cross Cultural Modules are delivered by AT&T Deaf managers most of whom are graduates of Gallaudet University or NTID.

All TRS managers are also required to complete the Core Curriculum for Management Training. Items included in the Core Curriculum for Management Training include the following:

- Personal Development
  - Organizational Skills
  - Time Management
  - Financial Planning
  - Retirement Planning
- Employee Relations
- Methods and Procedures Refreshers
  - One on One
  - Hands On
  - Lecture
- Forcing and Scheduling
- Attendance Administration
- Training Delivery
- Advance ASL Seminars and Certification

The core of AT&T's TRS staff training curriculum is provided on the job. The management training outlined, plus courses in employee relations, customer service and additional ASL training are planned for the next four to nine months on the relay assignment. Subsequent training is planned based on the developmental needs of the staff member.

B. 11 ***Counseling of CAs and Staff***

Bidders are required to outline a counseling and support program that will help CAs and staff deal with the emotional aspects of relaying calls. Those providing this staff support shall have training in dealing with the emotional aspects of handling relay calls. However, in counseling sessions, the CA shall not give to the support person the names of callers involved. The counseling support system shall follow the confidentiality provisions of this RFP.

RESPONSE

AT&T understands and will comply.

In each TRS center, there is a support system in place for Communications Assistants to deal with the emotional aspects of relaying calls. Communications Assistants have access to both professional internal and external counseling and support services.

CAs do not give any support person or counselor the names of callers or any other confidential information. They adhere to AT&T's Pledge of Confidentiality.

Internal Support

- Management trained in counseling, support and referral skills.
- Resource managers and supervisors are accessible 7 days a week, 24 hours a day.
- Accessibility to private huddle rooms designed specifically for private counseling sessions.
- External referrals to professional support services.
- Extensive training of managers on people with disabilities.

External Counseling and Support Services

- Support from internal Employee Assistance Program, (EAP) or external counseling program.

- Additional counseling is also available to employees from Employee Assistance Program (EAP) for substance abuse, domestic situations, and any potential distressing situation that may have an impact on the performance of the Communications Assistant.

Relay Service Counseling Process

All Communications Assistants are informed by Resource Managers in training of the importance of abiding by the Codes of Confidentiality and Ethics.

- If a situation of relaying an emotional call should interfere with the CA's ability to effectively deliver a quality relay call, the CA should request support from the on-call supervisor.

- Another CA or a second supervisor who may be better able to handle the stress will take over the call.

- The CA is then referred to the Resource Manager.

- The Resource Manager will analyze the situation to determine if he/she can provide the support or refer the CA or employee to professional counseling.

The following are specific actions taken to aid the employee:

1. Resource Manager will talk through the situation, listen and provide the private place and time for the CA to work through the situation.

2. The Resource Manager will then determine if a referral to a medical program is required.

3. If the services of a professional counselor are deemed necessary, a trained professional will meet with the CA immediately and talk through the issue privately.

4. All sessions and subsequent counseling activities are determined based on the specific case.

5. All counseling activities and discussions are confidential, neither the center nor the staff is informed.

6. Employee Assistance Program counselors will then assess the ability of the CA to provide service. A recommendation is made to either return the CA to work, to provide the employee an additional leave of absence or recommend another solution.

7. The employee will return to the center with or without counseling when he/she is assessed to be able to perform the work.

B. 12 Procedures for Relaying Communications

The system shall be designed to convey the full content of the communication. Unless requested otherwise by a user, the CA shall relay all calls according to the following procedures.

a. The method to be used in the system is for the CA to be identified by a number (not name) followed by "M" if male and "F" if female. The provider shall establish a method which will allow identification of the CA in the event a complaint is filed or a user wants to praise the work of the CA.

RESPONSE

AT&T understands and will comply.

AT&T CAs are identified by four numerics, followed by an "M"(male) or "F" (female), for example, CA #1234F (for TTY calls). AT&T's Relay 2000sm platform automatically transmits the CA's number and gender to TDD call originators. When the TDD user is the call receiver, the CA number and gender is transmitted via a preprogrammed key that is activated by one key action. The CAs are trained to verbally provide their CA number to all Voice users whether they are the originators or receivers of the relay call.

Internally, AT&T utilizes an easily accessed database to facilitate identification of a CA in the event that a complaint or commendation is filed.

b. The system shall keep the user informed on the status of the call, such as dialing, ringing, busy, disconnected or on hold throughout the call session. The system shall provide feedback to callers on call status within 10 seconds after a caller has provided the number to call and continue to provide feedback until the call is answered.

RESPONSE

AT&T understands and will comply.

Special keys on the CA workstation are programmed with various status messages (i.e. dialing, ringing, busy, no answer, recorded message, etc.) enabling the CA to keep the customer informed on the status of their call. The status messages are sent by the CA through a simple one-touch activation of the appropriate key. The use of the specially programmed keys is covered during initial training and reinforced in Continuation and on-going training sessions.

c. All users shall have the option of telling the CA what aspects of the call that he/she will handle. For example, the TDD user may voice the call (voice carryover), rather than have the CA do it or the caller may ask that relay be explained as soon as someone answers the call.

RESPONSE

AT&T understands and will comply.

AT&T believes that control of the relay call shall always remain with the users. Relay callers will have the option of telling the CA what aspects of the call s/he would like to handle, and AT&T will gladly comply.

d. When the call is first answered and at all times during the conversation, the system shall type to the TDD user or verbalize to the non-TDD user verbatim what is said or typed unless the relay user specifically requests summarization. If the CA summarizes the conversation, the CA shall inform both parties that the call is being summarized

RESPONSE

AT&T understands and will comply.

AT&T CAs are trained to relay all calls verbatim unless the customer specifically requests summarization. When summarization has been requested, the CA will inform both the TTY user and the Voice customer.

e. When the CA is asked to explain relay to a user, the CA shall express the term "explaining relay" to the other user on the call to let them know what is happening rather than transmitting all of the explanation. The CA shall not inform the telephone user that the TDD user is hearing or speech disabled unless the TDD user asks the CA to do so

RESPONSE

AT&T understands and will comply.

Whenever it is necessary for the CA to provide an explanation of the relay service to the telephone user, the CA will utilize a programmed function key that transmits the message "(explaining relay)" to the TDD user. The CA will never inform the telephone user that the TDD user is hearing or speech disabled unless directed to do so by the TDD user.

f. When speaking for the TDD user, the CA shall adopt a conversational tone of voice appropriate to the type of call being made and conveying the intent and mood of the message. The CA shall also indicate identifiable emotions by typing those in parentheses, (e.g., he's laughing, he's crying). Any identifiable background noises shall be relayed to the TDD user in parentheses. The CA shall identify to the TDD user, if identifiable, the gender of voice users when they first come on the line. All of the above should be done automatically unless the user asks that it not be done.

RESPONSE

AT&T understands and will comply.

CAs have been trained and prepared to appropriately convey the tone and emotion of the TDD user's message to the phone user. Additionally, Communications Assistants shall, to the best of their abilities, convey to the TDD user the telephone user's tone. Descriptive words shall be used to convey the tone (e.g., yelling, crying, loud, quiet, foreign accent, banging, slamming, or choking).Judgmental descriptions shall be avoided (e.g., angry, rude, disgusted, mad, or impatient).

All pertinent background noises shall be relayed in parentheses unless indicated otherwise by the TDD user. Customers who never want to have background noises relayed can choose this option as part of the Relay Choice^{SM} Profile. The gender of the voice user will be identified to the TDD user. To facilitate the relaying of background noise to the TDD user, AT&T Relay 2000^{sm} platform has programmed the most commonly heard noises which include but are not limited to: music, coughing, traffic noise, voices in background, doorbell, baby crying, etc.

g. CAs shall indicate to the user, if known, if another person comes on the line

RESPONSE

AT&T understands and will comply.

To the extent possible, the CA will identify to the TDD user if another person comes on the line and will provide the gender of that person.

h. All comments directed to either party by the CA or to the CA by either party shall be relayed. These comments shall be typed in parentheses. However, comments between the CA and a relay user at the beginning of a call which deal with billing information need not be relayed to the other user.

RESPONSE

AT&T understands and will comply.

AT&T CAs will relay anything that is said, heard or typed. This includes any comments directed to either party by the CA or to the CA by either party. The CA will type these comments in parentheses. For example, if the CA asks the telephone user, "will you pay for a collect call from John," the CA will type to the TDD user, for example: (ca here asking voice caller... will you pay for collect call from john q).

i. The CA will stay on the line until both parties have terminated the call.

RESPONSE

AT&T understands and will comply.

The CA will remain on the line until both parties have exchanged closing comments and good-byes. Even after the parties have terminated the call and the CA has left the line, call originator will still be able to access and reach a CA without having to hang up and redial the relay service.

With the FPSC's authorization, AT&T recommends extending its advanced Relay 2000℠ feature called "Back End Automation℠" to Florida Relay users. This feature will detect if the caller has remained on the line or has hesitated to hang up. After 10 seconds, Back End Automation℠ will automatically connect the TDD user to the next available CA who will query the caller for further assistance.

A few of the benefits of this feature include, for example:

(1) Call originator can request additional information about the relay service, request additional assistance or place another call without having to redial
(2) Faster call set up since caller's original billing information and call preferences are immediately available

This feature benefits the TDD caller who may decide at the last minute that another call is desired or additional information from the CA is needed and may not feel like dialing the relay service number again. By remaining on the line, the AT&T Relay 2000SM and the TDD caller will be returned to the next available CA without having to hang up, and redial the relay service. AT&T is the only relay provider who has this feature.

k. CAs shall not counsel, advise, or interject personal opinions or additional information into any relay call. This also means the CAs shall not make any value judgement on the profanity or obscenity or legality of any messages. Furthermore, the CAs shall not hold personal conversations with anyone calling the system.

RESPONSE

AT&T understands and will comply.

AT&T CAs have been trained not to counsel, advise or interject personal opinions or any additional information into any relay call as indicated in the FCC Guidelines, as well as, in AT&T's Code of Ethics. Advice will not be offered after either of the relay parties disconnects or hangs up. Furthermore, CAs shall not hold any personal conversations with anyone calling Florida Relay Service even when prompted by customers except to extend a polite and concise response of "Thank You" if a relay user comments on a job well done.

l. Users shall not be required to give their names or the name of the party they are calling, unless needed for billing.

RESPONSE

AT&T understands and will comply.

m. For each incoming call, the CA shall without delay make as many outgoing calls as requested by the caller.

RESPONSE

AT&T understands and will comply.

Customers of the Florida Relay Service will be able to make unlimited calls and unlimited attempts to numbers that terminate to a busy signal or a "no answer" condition. There shall be no limit to the number or length of any call.

n. If a user requests that a CA of a specific gender be used, the system shall comply whenever possible.

RESPONSE

AT&T understands and will comply.

The Florida Relay Service shall have good representation of the male and female gender and will, upon request and whenever possible, comply with caller's request for a specific gender CA.

o. *If a user requests that the same CA be used during the entire conversation, the system shall comply whenever possible.*

RESPONSE

AT&T understands and will comply.

AT&T will make every effort to comply with users' request to have the same CA used during the entire conversation. There are, however, rare instances when this request may not be possible, for example, CAs that have completed their scheduled work tour.

When a change in CAs is necessary, both callers will be notified and the number of the relief CA will be provide to both. With AT&T's Relay 2000SM, the change is conducted in a seamless manner without any disruption or delay in the flow of the conversation. With the push of a single key, the AT&T Relay 2000SM will transfer the relay conversation to another CA intact with all billing information.

B. 13 ***Interaction with Answering Machines and Voice Response Units***

The bidder shall explain if and how messages will be left on or retrieved from answering machines and if and how interaction with voice response units will be accomplished.

a. *The bidder should explain how any access code used to retrieve messages will be confidentially handled.*

b. *The bidder should explain if and how messages will be retrieved from an answering machine if the originating party calling the relay center is at the same location as the answering machine. For example, if a person is at home and cannot retrieve his messages from his own answering machine, how will the relay center accomplish retrieving the message and relaying the information to the hearing impaired person when only one telephone line exists to the residence?*

c. *The bidder should explain how charges for long distance relay calls will apply when multiple calls are necessary to complete leaving or retrieving a message on an answering machine or retrieving a message from a voice response unit.*

d. *The bidder should explain if and how calls will be handled in order for the caller to interact with voice response units. (e.g., "Press 1 to ... ").*

RESPONSE

AT&T understands and will comply.

More and more often, relay calls will terminate to a recorded message, an answering machine or a voice processing system. AT&T CAs have been thoroughly trained to process these calls competently and professionally.

RESPONSE

Following are the procedures for a CA to leave a message on an answering machine or other voice processing systems:

- The CA informs the caller that an answering machine has been reached and transmits to the caller the full content of the outgoing message. If the CA is not successful in retrieving and conveying the message, the CA will ask the caller if the caller wants the CA to try the call again.
- If the caller wants to leave a message, he/she must volunteer that information to the CA. The CA will not ask the user if he/she wants to leave a message since this would violate the CA Code of Ethics.
- The CA leaves the caller's message either by voice or TTY.
- The CA confirms to the caller that the message has been left.
- The caller is only charged for one call regardless of the number of redials required to capture the full outgoing message and/or to leave a message.

AT&T CAs have been trained in procedures for retrieving messages from voice processing systems and then relaying the text message to the non-TTY user or voice message to the TTY user where the caller remains on the line. CA procedures include:

- Notifying the caller that a voice processing system has been reached and relaying the complete outgoing message or information
- Securing the system access codes from the caller to complete call processing. The access code will only be available during the actual call processing and will **not** be retained or saved by the CA or the relay equipment.

- Transmitting any additional prompts, messages, or information

- Completing the call as requested by the caller

- The caller will be charged for only one call (last call) regardless of the number of attempts in retrieving the messages in their entirety

In addition, AT&T will provide a special service called Single Line Answering Machine (SLAM) which allows customers who have only one telephone line to call the Relay Center and request to have their messages retrieved and delivered from their answering machines without the need to remain on the line. The caller will only be billed one call regardless of the number of attempts needed ensure complete message retrieval. Key procedures for the SLAM service are outlined below:

1. Customer at home calls Florida Relay Service and requests messages to be retrieved from home answering machine

2. CA gets call details and asks caller to hang up and allow answering machine to pick up on call back.

3. CA calls and retrieves messages and calls customer back and delivers a summary of messages.

Regardless of the number of callbacks necessary to retrieve the complete outgoing message or to leave a message, customers will only be billed for one call anytime a relay call terminates to an answering machine or voice response system.

AT&T is currently trialing a new proprietary product in the Relay 2000^{sm} platform called PlayBack Device^{SM} or PBD^{SM}. The PBD^{SM} enables CAs to more efficiently process and relay calls that terminate to answering machines, recorded messages or interactive voice processing systems by capturing the outgoing message and allowing the CA to play it back at a more comfortable pace for relaying. The PBD^{SM} significantly reduces the number of calls needed to retrieve messages on answering machines or to relay the prompts of voice processing systems. No record is kept of the messages captured on the PBD^{SM} because each message is automatically obliterated.

This feature will be fully deployed in each of AT&T Relay centers by 1st Quarter 2000 ensuring the feature will be available by the time Florida awards its bid.

	B. 14	***Languages Served*** *At all times, the provider shall make available CAs with the capability to provide relay service to users who use either English, Spanish or ASL (American Sign Language) on their relay call. Translation from one language to another is not required.*

RESPONSE

AT&T understands and will comply.

AT&T CAs are carefully trained to be able to understand deaf people who may be use limited English during relay. The CAs are also instructed and trained on how to translate ASL syntax into English and how to translate limited written English into correct English.

The needs of Spanish-speaking relay users are met with AT&T's specially trained team of bilingual CAs. The bilingual CAs must successfully pass all entrance tests in English as are required non-bilingual CAs. The bilingual applicants are then given the Spanish proficiency assessment before they are hired and trained to relay calls in Spanish. While AT&T's team of bilingual CAs are specially trained to process and relay calls in Spanish, they are qualified and competent to also relay calls in English and ASL.

	B. 15	***Additional Languages Served*** *The provider will not be required to serve languages other than English, Spanish, or ASL. However, additional evaluation points may be given for proposals that include how the provider would handle relay calls using one or more additional languages (e.g. French, or Creole etc.).*

RESPONSE

AT&T understands and will comply.

When AT&T is awarded the contract to be the relay provider in Florida, relay users who speak or use languages other than English, Spanish or ASL may request Language Line to assist them in any foreign language needs they have.

Recently, AT&T sold AT&T Language Line, but we have contracted with the company to continue serving our customers. Language Line provides foreign language translation and assistance for over 260 languages and dialects including Spanish, French, German, Polish, Japanese, as well as Thai, Korean, Swedish, and Chinese.

Relay callers may use Language Line to assist them in any foreign language needs they have. Language Line Service has a separate charge which is billed directly to the caller. The caller is notified upfront of the cost to use Language Line.

Following are the procedures that would be used to complete a relay call with the assistance of Language Line:

1. Caller reaches the Florida Relay Service via established toll free number
2. Caller informs CA of need for language assistance and provides the number s/he wishes to call
3. CA reaches Language Line and provides call details and language request
4. Language Line establishes connection to the desired number and conveys message of distant party to CA
5. CA will relay back and forth between the relay user and the Language Line attendant.

B. 16 *On each shift the provider shall employ in the relay center at least one person who is highly knowledgeable of ASL in order to serve as an advisor/consultant to assist CAs in understanding the intent of messages and properly communicating the full content of communication.*

RESPONSE

AT&T understands and will comply.

AT&T will provide to the Florida Relay Center persons who are highly knowledgeable of ASL. These employees will serve to advise, coach, and consult CAs on the intent of the relay customer's message and how to effectively communicate the full content of ASL communications.

Many of AT&T CAs and Managers have completed advanced classes in ASL and have received ASL certification in other centers; and it reasonable to expect the same passion for quality in Florida's relay center.

B. 17 Confidentiality of Calls

As required by s.427.704(1)(c), F.S., all calls shall be totally confidential; no written or electronic script shall be kept beyond the duration of the call. CAs and supervisory personnel shall not reveal information about the content of any call and, except for the minimum necessary for billing, complaint processing, statistical reporting or training purposes as further described in this RFP, shall not reveal any information about a call. CAs and supervisory personnel shall be required to sign a pledge of confidentiality promising not to disclose the identity of any callers (except for the reasons discussed in this section) or any information learned during the course of relaying calls, either during the period of employment as a CA or after termination of employment.

a. *When training new CAs by the method of sharing past experience, trainers shall not reveal any of the following information:*

   i. *names of the parties to the call*

   ii. *originating or terminating points of specific calls*

   iii. *specifics of the information conveyed*

b. *CAs shall not discuss, even among themselves or their supervisors, any names or specifics of any relay call, except as necessary in instances of resolving complaints, bill processing, emergencies or for training purposes. CAs may discuss a general situation with which they need assistance in order to clarify how to process a particular type of relay call. CAs should be trained to ask questions about procedures without revealing names or specific information that will identify the caller.*

c. *Watching or listening to actual calls by anyone other than the CA is prohibited except for training or monitoring purposes or other purposes specifically authorized by the Commission. FPSC staff shall be permitted to observe live calls for monitoring purposes but shall also comply with the confidentiality provisions above.*

d. *A copy of the Confidentiality Policy shall be provided to a user upon request and at no cost.*

RESPONSE

AT&T understands and will comply.

AT&T understands that Florida Relay users expect the same level of confidentiality and convenience that is consistent with the obligations of common carrier operators. Confidentiality is crucial to the success of relay service and requires strict adherence. Florida Relay users must have confidence in their service and know their privacy is protected. The AT&T Relay 2000℠ Platform provides an extra level of confidentiality. Relayed conversations are scrolled off the Communications Assistants' screen and cannot be retrieved.

The following policies and procedures are designed to ensure customer privacy:

- AT&T does not maintain written or electronic scripts of any conversation. CA and TTY typing appears on the screen only during the conversation and is automatically cleared when the conversation is terminated. The TRS system records the minimum information necessary for billing purposes only. Once the call is completed the billing information is sent to an off-site billing data repository and is no longer accessible to the CA.

- CA and supervisory personnel do not reveal any information about any call, including the fact that the call occurred. Only in the instances of resolving complaints or when a CA is having difficulty with a call, can the call be discussed. However it must be done without revealing the names, gender, ages or numbers of either party.

- CAs are required to adhere to the rules of confidentiality during all training sessions. Trainers are trained to present scenarios and procedures without revealing names or specifics about the callers. All CAs are then required to sign a Pledge of Confidentiality promising not to disclose the identity of any caller, fellow CA, or any information learned during the course of relay calls. This applies to all CAs during the period of employment and after termination of employment. A copy of the Confidentiality Policy is available to any user upon request and at no cost. **(A copy of the Pledge of Confidentiality follows)**

- AT&T cooperates with legitimate governmental investigations through AT&T Corporate Security which understands and applies the policies and procedures used to ensure customer privacy.

- A CA or supervisor who, after a thorough investigation, is found to have violated the confidentiality rules and regulations will either be terminated immediately or given a warning depending on the severity of the violation. In the event of a second occurrence the employee will be terminated immediately.

- All CAs and supervisory personnel must adhere to the AT&T Code of Ethics and will keep all communicated information strictly confidential. **(A copy of the Code of Ethics follows.)**

- All employees must adhere to additional company policies, practices, and instructions, as well as, legal and common sense standards that govern workplace conduct. **(A copy of AT&T's Privacy of Communications and AT&T's Common Bond follows.)**

PLEDGE OF CONFIDENTIALITY

I, the undersigned Communications Assistant for the AT&T Telecommunications Relay Service, do hereby recognize the serious and confidential nature of this position and therefore promise in all good faith and conscience to abide by the following guidelines:

1. Under no circumstances will I disclose to any individual the identity of any caller or information I may learn about the caller while relaying his/her messages.

2. Under no circumstances will I act upon any information I may learn while relaying.

3. Under no circumstances will I disclose to anyone the names, schedules, or personal information of any fellow Communications Assistant or supervisor working here at the AT&T Telecommunications Relay Service.

4. I will share upon request any information about the caller with persons who have a supervisory function over my work.

5. In the event of my resignation or termination of my employment, I will continue to hold in strictest of confidence all information related to the work I have performed as a Communications Assistant.

Name *(sign)* ______________________________

Name *(print)* ______________________________ Date ________

CODE OF ETHICS

1. **Communications Assistants will keep all call information strictly confidential. The exception to this if a call has to be transferred to another CA or the Support Desk/Supervisor.**

2. **Communications Assistants must never give out customers' telephone numbers.**

3. **Communications Assistants must never give out information about themselves except their gender and CA number.**

4. **Communications Assistants will convey the content and spirit of the speaker.**

5. **Communications Assistants will not counsel, advise, or express personal opinions. The CA may be asked to describe the tone of voice of the Voice Party.**

6. **Communications Assistants, as employees of AT&T, will strive to maintain high professional standards in compliance with the Code of Ethics.**

Confidentiality Policy
Privacy of Communications

Over the years, privacy of communications has been basic to AT&T's business, not only because it is required by law, but because the public has placed its trust in the integrity of AT&T's people and service. All AT&T customers have the right to expect and demand that their conversations are kept private.

With the ever-increasing volume of data transmission over the network, this trust has taken on a special significance at AT&T. Today it is the responsibility of every AT&T employee to protect not only the privacy of conversations on the network, but also the flow of information in data form, that in the wrong hands could have serious economic or legal consequences for the parties involved.

Our basic rules for privacy have not changed. Violating any one of them could tarnish a reputation AT&T has worked hard to maintain over many years. The basic rules are:

- Don't tamper with or intrude upon any transmission, whether by voice, non-voice, or data.
- Don't listen to or repeat anyone else's conversation or communication, or permit them to be monitored or recorded except as required in the proper management of the business.
- Don't allow an unauthorized person to have access to any communication transmitted over AT&T facilities. This includes divulging information about who was speaking or what was spoken about, except as authorized by the customer or required in the proper management of the business.
- Don't install or permit installation of any device that will enable someone to listen to, observe, or realize that a communication has occurred, except as authorized by an official service or installation order in accordance with Company practices.
- Don't use information from any communication, or even the fact that a communication has occurred, for your personal benefit or for the benefit of others.
- Don't disclose information about customer billing arrangements, or the location of equipment, circuits, trunks, and cables to any unauthorized person.

Contact the AT&T Corporate Security Organization if you believe that the privacy of any communication has been compromised, or if you receive a subpoena, court order, or any other type of request for information from anyone (including law enforcement and other government agencies) concerning any AT&T service.

OUR COMMON BOND

We commit to these values to guide our decisions and behavior

Respect For Individuals – We will treat each other with respect and dignity, valuing individual and cultural differences. We will communicate frequently and with candor, listening to each other regardless of level or position. Recognizing that exceptional quality begins with people, we will give individuals the authority to use their capabilities to the fullest to satisfy their customers. Our environment will support personal growth and continuous learning of all AT&T people.

Dedication to Helping Customers – We will truly care for each customer. We will build enduring relationships by understanding and anticipating our customers' needs and by serving them better each time than the time before. AT&T customers can count on us to consistently deliver superior products an services that help them achieve their personal and business goals.

Highest Standards of Integrity – We will be honest and ethical in all our business dealings, starting with how we treat each other. We will keep our promises and admit our mistakes. Our personal conduct will ensure that AT&T's name is always worthy of trust.

Innovation – We will believe innovation is the engine that will keep us vital and growing. Our culture will embrace creativity, seek different perspectives and risk pursuing new opportunities. We will create and rapidly convert technology into products and services, constantly searching for new ways to make technology more useful to customers.

Team work – We will encourage and reward both individual and team achievements. We will freely join with colleagues across organizational boundaries to advance the interest of customers and shareowners. Our team spirit will extend to being responsible and caring partners in the communities where we live and work.

By living these values, AT&T will achieve a standard of excellence worldwide that will reward our shareowners, our customers, and all AT&T people.

Signed ______________________ ____________ ______________
Name Date Manager

B. 18 ***Voice and Hearing Carryover***

Provider shall provide both voice and hearing carryover upon request of the user. A TDD user may request voice carryover (VCO) which will allow him/her to speak directly to the telephone user and receive the message typed back on the TDD. Also, a TDD user may request hearing carryover (HCO) which will enable the TDD user to directly hear what the telephone user is saying and type back his/her message which will be spoken by the operator.

As part of its proposal the bidder should describe in detail how incoming 2-line VCO calls will be handled. As part of its proposal the bidder should also describe in detail how outgoing 2-line VCO calls will be handled.

The provider shall make provision for two persons who are hearing disabled to speak for themselves by means of voice carryover to voice carryover (VCO to VCO) and for two persons who are speech disabled to hear for themselves by means of hearing carryover to hearing carryover (HCO to HCO).

RESPONSE

AT&T understands and will comply.

Florida relay users will have access to multiple Voice Carryover (VCO) and Hearing Carryover (HCO) features with AT&T as the TRS provider. Both Carryover features and their enhancements are considered part of AT&T's Basic Telecommunications Relay Services.

TDD users can request to use Voice Carryover or Hearing Carryover in several ways:

For example:

(1) Typing "vco pls ga" during call setup
(2) Choosing VCO as a preference feature for the caller's Relay Choice℠ Profile
(3) Waiting until the CA is on line to request VCO

Callers who request VCO can elect to voice call details directly to the CA rather than typing them via the TDD.

2 Line VCO Procedures:

2 line VCO is a very popular call type which AT&T executes thousands of times every day. CAs are very experienced in handling this type of request. The procedures for handling this type of call follow:

2 Line VCO Request (TDD to Voice)

1. The TDD user calls the Florida TDD relay number.
2. The TDD user requests a 2 Line VCO call and provides the number to call which is an extension at the caller's location.
3. The CA dials the extension number. This number is called the "forward" number for billing purposes.
4. TDD user answers extension number in voice mode. This is same customer on both Line 1 and Line 2.
5. The called forward number will use three-way calling or the phone's conference feature to dial another number. The CA relays information to the TDD user (Line 1) such as line ringing, line answered, in the usual way.
6. No relay announcement, CA ID number or CA interaction takes place on the call.
7. The CA will use MUTE button and will relay to the TDD user (Line 1) everything heard.
8. The CA will advise the customer when the conferenced person has hung up and will be guided by the caller's instructions.

2 Line VCO Request (Voice to TDD)

1. Call comes in to the TDD user's voice line.
2. TDD user answers line in Voice mode and asks the caller to hold for a moment.
3. TDD will place the voice caller on HOLD, then using conference feature or three-way calling, dials the Florida Relay Service Voice number.
4. The TDD user will voice instructions to the CA to call back on the user's TDD line.
5. TDD user answers line with TDD (typing) then conferences in the voice caller on the voice line.

AT&T was the first relay provider to introduce Voice-to-Voice^{sm} (VTV) as a feature of relay service. VTV This feature expands the VCO capability by allowing two hearing disabled individuals to voice their parts of a call while the CA types for both parties. VTV is ideal for two TDD users who can speak but who may not know how to type or may be physically unable to type.

AT&T was the first relay provider to introduce HCO-to-HCO (HTH) as a feature of relay service. HTH expands the HCO capability by allowing two speech-disabled individuals to listen to the CA voice the other person's conversation.

For additional enhancements to the "carryover" features, please refer to section 41, "Unsolicited Features in Basic Relay Service."

B. 19 ***Obscenity Directed at the Operator***

CAs do not have to tolerate obscenity directed at them. A proposal should specify how the provider will handle these situations.

RESPONSE

AT&T understands and will comply.

AT&T CAs are not required to tolerate obscenity directed at them prior to, during, or after a relay call. CAs have been trained to attempt to direct the caller back to the processing of the relay call. If the obscenities continue in a manner that obstructs the CA from relaying the call in a quality manner, the CA will excuse the other party and will refer the customer causing the obscenities to the supervisor. The supervisor will take over the call and handle the situation appropriately. The situation will be documented and kept on file for future reference. In some cases, if we have a repeat offender, it will be reported to AT&T Corporate Security and the Florida Public Service Commission will also be notified of the situation.

B. 20 ***Emergency Calls***

Although most of Florida is covered by 911 communication centers prepared to handle TDD calls directly, the bidder shall develop and follow a policy for handling and referring emergency calls. The policy may include procedures for referring callers to emergency services and numbers other than 911.

RESPONSE

AT&T provides CAs with immediate and direct access to a database that contains emergency agency listings based on their Automatic Number Identification (ANI). If this number does not appear in the database it be necessary to contact Directory Assistance. Using the caller's ANI, the CA can quickly secure the appropriate emergency agency listing and complete the relay call which allows for immediate emergency attention. Upon identification or receipt of the emergency number, the CA performs only two key strokes to initiate the call to the emergency agency. Each emergency call is given the CA's undivided attention. Typically, a supervisor will be immediately assigned to work with the CA in any emergency call situation. CAs will do whatever is necessary – including passing the caller's telephone number, address and other details about the emergency to the agency – to ensure the rendering of immediate emergency service.

CAs remain on the line until released by the emergency agency. Calls to authorized emergency agencies (police, fire, ambulance, etc.) are completed free of charge to the caller.

We include information on emergency calls in our state brochures. We state that "Relay Service is not a substitute for 911 emergency services. However, if we receive an emergency call, we will do whatever we can to connect the caller to the emergency service needed. To make sure your emergency call is handled as quickly as possible, please call your local emergency service number directly."

B. 21 ***Blockage***

Provider is responsible for ensuring that 99% of calls reaching the relay center per day are either answered or continue to receive a ringing signal.

Calls that are blocked must receive a network blockage signal of 120 impulses per minute.

RESPONSE

Our historical data, which is available to the FPSC upon request, demonstrates that AT&T has not incurred a network blockage and has successfully ensured that 100% of calls reaching the relay center are answered. This is accomplished primarily through the fully-redundant, fault tolerant Relay 2000^{SM} Platform.

It is highly unlikely calls would be blocked into the automatic call distributer thanks in part to the fact that AT&T has excess trunking capacity into each center. The Florida Relay Center would also have excess trunking to ensure that well over 99% of calls reaching the center will complete to a CA. AT&T Telecommunications Relay Services' Grade-of-Service is the same as that required for Toll and Assistance Operator or other critical attendant services. The service access is engineered with an additional twenty percent of trunking to provide service at a level above the contracted grade-of-service. This accommodates facility ordering intervals and facilitates growth and/or unexpected service demands. Also, a review of utilization data (available upon request) indicates that TRS centers may run between 60 to 75 percent of capacity to expedite any service recovery situation. This, in fact, is how AT&T was able to provide additional relay assistance during Hurricane Floyd.

If trouble does occur in the AT&T network, a signal set to 120 cycles/impulses per minute will be provided to all callers.

B. 22 ***Answer Time***

Provider is responsible for answering 90% of all calls per month within 10 seconds of reaching the relay switch. Elapsed time is calculated from the time inbound calls reach the relay switch. In calculating the percentage of calls meeting the answer time standard, the numerator shall be the total number of calls per month that are answered (with a CA ready to serve) in 10 seconds or less. The denominator shall be the total number of calls per month reaching the relay switch except that the total shall not include calls abandoned within 10 seconds after reaching the relay switch. However, calls abandoned after 10 seconds shall be included in the denominator. (Exception: If the Provider is unable to differentiate between calls abandoned within 10 seconds and those abandoned after 10 seconds of reaching the relay switch, then all abandoned calls shall be included in the denominator.)

RESPONSE

AT&T understands and will comply.

AT&T ensures the FPSC that it will meet the performance requirements for answering 90% of all calls within 10 seconds (90/10) on a monthly basis. Moreover, AT&T will calculate the percentage of calls meeting the answer time standard by using the total number of calls per day that are answered in ten seconds or less as the numerator divided by the total number of calls per day reaching the relay switch including those calls abandoned after 10 seconds.

Overall, AT&T maintains more than ample staffing, CA positions and network facilities at each call center to achieve 90% in 10 seconds, which statistically provides a four (4) to six (6) second Average Daily Answer Time with the exception of emergency situations. This resource allocation allows AT&T to provide a monthly cumulative average speed of answer between 3.1 and 5.0 seconds. Emergency situations include civil disturbances, severe weather conditions or natural disasters and technical service recoveries.

For customers who use our automated features such as Up-front Automation℠ (UFA) or Voice Up-front Automation℠ (VUFA) the average time that elapses between the receipt of dialing information and the dialing of the requested number is almost twice as fast than if the caller waited for the CA to come on line to provide the call details verbally.

AT&T's Operations Management Center (OMC) is rich with experience in matching call demand with human resources. We monitor and record call volume trends that vary by time of day, day of week, holiday, time-change, season, school year and other calendar events. We build models, using this historic data, which enable us to predict future calling trends with great accuracy.

By successfully modeling calling trends, the OMC is able to match resources to meet calling demand and consistently deliver superior answer time results.

During the last twelve months, the OMC has allowed AT&T to deliver answer time results for its customers consistently **above** contracted levels.

Following are tables that illustrate AT&T's success at meeting answer requirements for each of our states. The tables are for 1999 year-to-date. AT&T would be pleased to provide additional data upon request.

1999 TRS/OSD/ATTLDRC ANSWER PERFORMANCE

ACTUALS													YTD OBJ.		
													Ctr.	Obj	Obj
STATES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Obj.	Opp	Met
Alabama	92	91	92	91	92	91	91	91	91				90/10	9	9
	4.0	4.4	4.0	4.5	3.9	4.1	4.5	4.1	4.4						
Dist of	92	92	92	92	92	91	91	91	92				90/10	9	9
Columbia	4.1	4.1	3.9	4.2	3.9	4.1	4.4	4.1	4.2						
Delaware	92	92	92	91	92	92	91	91	91				90/10	9	9
	4.2	4.2	3.6	4.3	3.6	3.9	4.4	3.7	4.3						
Georgia	92	92	92	91	92	91	91	91	91				90/10	9	9
	4.0	4.1	4.0	4.2	3.9	4.1	4.5	4.0	4.3						
Illinois	92	92	92	91	92	91	91	91	91				90/10	9	9
	3.9	4.0	3.7	4.2	3.6	3.9	4.3	3.8	4.1						
Maine	92	92	92	92	92	91	91	91	91				90/10	9	9
	4.3	3.8	4.1	3.6	3.8	3.9	4.4	4.0	4.7						
Mississippi	93	92	92	91	92	92	91	91	91				90/10	9	9
	3.7	3.8	3.6	4.2	3.5	3.7	4.0	3.8	4.0						
New Jersey	92	92	92	92	92	91	91	91	91				90/10	9	9
	4.3	4.2	4.0	3.9	3.6	3.9	4.4	3.9	4.3						
Pennsyl.	92	92	92	92	92	91	91	91	91				90/10	9	9
	4.2	4.0	3.9	3.9	3.7	4.0	4.4	3.8	4.3						
Rhode Is.	92	93	93	93	93	93	92	92	92				90/10	9	9
	3.7	3.7	3.3	3.3	3.4	3.4	3.8	3.5	3.7						
Tennessee	92	91	91	91	92	91	91	91	91				90/10	9	9
	4.2	4.4	4.1	4.4	3.9	4.2	4.5	4.0	4.4						
Vermont	92	93	92	93.5	92.8	92	92.2	92.2	92.0				90/10	9	9
	4.1	3.7	3.5	3.0	3.2	3.4	3.8	3.4	3.4						
West	92	91	91	92	91	92	90.6	90.6	91.0				90/10	9	9
Virginia	4.3	4.5	4.3	4.0	3.8	4.0	4.8	4.1	4.5						
Virgin	92	95	93	93	91.6	92	92	92	92				90/10	9	9
Islands	3.6	3.1	3.8	4.0	4.9	3.4	3.7	2.9	4.4						
US	92	92	92	91	91.7	91	91	91	91				90/10	9	9
(ATTLD)	3.9	4.1	3.7	4.4	3.8	4.3	4.1	3.8	4.1						
Virginia	89	89	87	87	88	87	88	88	87				85/10	9	9
	6.6	7.3	9.1	8.8	8.0	8.5	7.8	7.9	9.1						

AT&T

1999 TRS/OSD/ATTLDRC ANSWER PERFORMANCE

ACTUALS													YTD OBJ.		
													Ctr.	Obj	Obj
STATES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Obj.	Opp	Met
PC	95	95	94	95	95	96	95	95	96				85/10	9	9
	5.8	5.1	8.8	4.8	4.2	4.0	6.7	8.1	6.0						
PL	93	91	89	93	93	93	94	94	92				85/10	9	9
	5.9	15.6	17.4	5.0	11.6	6.2	8.5	10.0	9.6						
Puerto Rico	92	92	92	93	93	94	92	92	94				85/10	9	9
	12.6	10.7	10.9	10.8	6.8	8.8	12.2	9.8	8.9						
PT	90	89	89	91	94	91	87	87	91				85/10	9	9
	11.5	17.1	13.4	6.2	8.5	6.2	14.7	10.4	8.2						
Spanish	91	92	91	92	92	93	92	92	91				85/10	9	9
National	13.2	11.4	10.3	12.3	11.9	10.9	10.7	10.3	11.7						
SD	100	97	87	93	100	100	100	100	100				85/10	9	9
	0.0	3.8	7.3	2.3	0.2	0.0	0.0	4.9	1.0						
EZ Reach	100	100	100	90	85	94	82	82	95					NA	
	0.0	0.0	0.0	1.1	3.3	1.1	4.5	15.3	1.3						
Hotline	78	NA	100	0	100	67	100	100	100					NA	
	8.9	NA	0.0	0.0	0.0	14.3	0.0	5.8	0.0						
OS	91	89	89	87	89	88	89	89	89				85/10	9	9
	4.8	6.1	5.4	7.0	5.4	5.6	5.7	5.3	5.7						
Total OPP	15	15	15	15	15	15	15	15	15				90/10	135	135
Total Met	15	15	15	15	15	15	15	15	15						
% 90/10	100	100	100	100	100	100	100	100	100				100		
Area Ans	4.5	4.6	4.6	4.9	4.4	4.6	4.9	4.5	4.9						
Total OPP	23	23	23	23	23	23	23	23	23				85/10	184	184
Total Met	23	23	23	23	23	23	23	23	23						
% 85/10	100	100	100	100	100	100	100	100	100				100		

EZ, HL & OS ARE NOT INCLUDED IN TOTAL OPPORTUNITIES AND TOTAL MET
ILLINOIS INCLUDES SPANISH

B. 23 ***Equipment Compatibility***

It is necessary for the system to be capable of receiving and transmitting in both Baudot and ASCII codes as well as voice. It is also required that relay systems be capable of automatically identifying incoming TDD signals as either Baudot or ASCII. All equipment shall be compatible with the basic protocol of TDDs distributed in Florida through the Administrator (Ultratec Model Nos. 100, 200, 400, 425, 1140 and 4425 and Ameriphone Dialogue VCO).

RESPONSE

AT&T understands and will comply.

AT&T's Relay 2000℠ Platform will connect with all TDDs/TTYs in use today.

AT&T's relay facilities use only Ultratec modems, the premier commercial and residential relay modem supplier in the country. In establishing our platform, AT&T reviewed and tested the main modem providers in the marketplace. In all our test protocols, Ultratec continued to be the best source of quality modems. AT&T's Relay Platform uses Ultratec modems exclusively loaded with customer software written specifically for AT&T.

They will connect to Ultratec models, 100, 200, 400, 425, 1140 and 4425 and the Ameriphone Dialogue VCO and all other TTY's available today.

AT&T's Relay platform will support the continued connectivity of Baudot and ASCII protocols of the TDD's distributed within the State of Florida.

B. 24 ***Transmission Levels***

Transmission levels must be maintained within industry standards as outlined in the American National Standards Institute – Network Performance - Switched Exchange Access Network Transmission Specifications (ANSI T1.506-1997). Provider must provide updates to those standards as amended by ANSI during the term of the contract and must meet the amended standards.

RESPONSE

AT&T understands and will comply.

The AT&T network and facility will meet or exceed all of the following measures and standards for transmission characteristics:

- American National Standards Institute/Electronic Industries Association (ANSI/EIA) PBX standard TIA/EIA – 464B.

- American National Standards Institute- Network Performance-Switched Exchange Access Network Transmission Specifications (ANSI T1.50b- 1997)

- ANSI T1.508-1998 Revision, redesignation and consolidation of ANSI T1.508- 1992 and ANSI T1.508a- 1993 << American National Standards for Telecommunications Loss Plan for Evolving Digital Networks Secretariat Alliance for Telecommunications Industry

The circuits that AT&T will provision for the Florida Relay Service will be ISDN MegaCom 800 which will transverse on the Software Defined Network (SDN) within the AT&T telecommunications universe. These circuits comply with a grade-of-service of P.01 which provide a functionally equivalent probability of a fast busy as one might encounter on the overall voice network.

AT&T's universe includes matching 4ESS and 5ESS switches and in each case, a fully performing redundant switch is available to handle redirected calls in case of a network trouble or outage.

AT&T will install sufficient trunking to support all forecasted Florida Voice, Baudot, and ASCII calls plus twenty percent for increases in volumes not currently anticipated. This will insulate AT&T's Florida Relay center from impact factors that can not be planned and insures a Communications Assistant will be available for each and every call.

AT&T's Network Management Control Center (NMCC) will provide seven day, twenty-four hour coverage to guide and circumvent troubles on any/all circuits provisioned for Florida Relay use.

B. 25 ***Measuring Equipment Accuracy***

Every meter, recording and ticketing device used to capture call details for billing subscribers or the FPSC/Administrator as well as for providing traffic information shall be tested prior to its installation and shall be accurate 97 percent of the time to within a 1 second grace period. All equipment shall be maintained in a good state of repair consistent with safety and adequate service performance.

RESPONSE

AT&T understands and will comply.

AT&T has a dedicated technical team of four individuals whose primary responsibility is to ensure that every meter, recording and ticketing device on AT&T's Relay 2000℠ Platform are accurate. The AT&T Relay 2000℠ Platform and other facilities that support it, are programmed to automatically dial out to the National Bureau of Standards for time synchronization on a daily basis. This daily maintenance ensures a higher accuracy level than the 97% standard required and the technical staff mentioned ensures that the equipment and platform remain in a good state of repair.

AT&T's Relay also has a fully redundant online tracking system that is available should an event occur that will incapacitate the primary tracking device. As each AT&T Relay site is part of a self-healing Wide Area Network, the transition from the primary machine to the redundant system will occur with no impact to the integrity of data.

B. 26 ***Emergency Operations***

In addition to a minimum of thirty (30) minutes battery capacity sufficient to operate each relay center processing Florida relay traffic at busy season busy hour load, each relay center shall have installed emergency power generating equipment capable of maintaining the relay center's operations for extended periods of time. The uninterruptible power system shall support the switch system and its peripherals, switch room environmental (air conditioning, fire suppression system, emergency lights and system alarms), operator consoles/terminals, operator work site emergency lights, and Call Detail Record recording. Provisions shall be made to meet emergencies resulting from failure of power service, sudden and prolonged increases in traffic, storms, lightning, etc. Employees shall be instructed as to the procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of relay service.

The bidder shall describe its plan for dealing with all types of natural and man-made problems (e.g., hurricanes, lightning strikes, fires, etc.) which either isolate the relay center and prevent calls from reaching the center or cause the center to be unable to operate. In addition, the plan should detail the steps which will be taken to deal with the problem and restore relay service

The provider shall inform the contract manager of any major interruptions to the operation of the relay center extending beyond five minutes duration. The contract manager shall also be informed when it becomes known to the relay center that any portion of the state is isolated for more than five minutes from the relay center. The provider shall also provide a report after restoration of service.

RESPONSE

AT&T understands and will comply.

AT&T has the best plan in the business for responding to service and disaster recovery situations. Our "best-in-class" system for Emergency Operations and Uninterruptible Power has attracted other relay providers to contract with AT&T to become their "service and disaster recovery" backup system.

The "best in the business" plan is due to several important factors such as our in-house technical support team which is available 24 hours a day, 7 days a week, and to the fact that AT&T created, owns and supports the relay technical platform. Unlike other relay providers, AT&T does not subcontract technical platforms and services.

AT&T's disaster plans and preparations not only keep essential operations running while protecting our employees and facilities, but it also maintains vital communications links. We do such an outstanding job in this area, that AT&T Relay Services enacted internal emergency procedures to allow areas affected by Hurricane Floyd (Florida, South Carolina, and North Carolina) to use AT&T Relay Services in order to complete their essential and emergency relay calls when their current provider was not available.

AT&T's centers have sustained snow blizzards, flooding, hurricanes, and other acts of nature. Regardless of what Mother Nature may throw our way, AT&T is prepared and our people will respond quickly and courageously.

Uninterruptible Power Supply (UPS)

All AT&T Relay Centers have battery back up and generator capability sufficient to allow the relay service to operate after a commercial power failure. This system ensures that each battery backup is sufficient for one hour and the generator is capable of providing uninterrupted power indefinitely until power is restored.

In the event of a power failure in a center, there is sufficient battery backup-power to support the switch, its peripherals, and adjuncts until the generator reaches full power in approximately 30 seconds. The generator supports the switch room environmentals (e.g., air conditioning, fire suppression systems, emergency lights, and alarm systems) and the CA work site emergency lights, consoles/terminals and call detail recording. Our system will generate sufficient power to operate until power is restored.

AT&T's relay system architecture incorporates multiple levels of automated power backup. The first tier in the architecture, including our PBXs, is engineered with individual internal power battery packs that provide automatic and instantaneous power backup in the event of any normal public power failure. This design prevents even momentary loss of power that might otherwise interrupt customer service.

A second tier of automated power is an uninterruptible power supply system supporting each component including our billing recorder, in every relay centers. Each Uninterruptible Power Supply (UPS) is capable of providing power for an extended period of time, until the third tier of automated power backup takes over. This power backup unit ensures that even in the rare occurrence of a possible failure in any component's internal UPS, the system wide power is automatically and continuously maintained.

The third tier of automated power backup enabling fail-safe operation in the event of a breakdown in normal public power is an automated power-generating unit. This unit automatically starts when more than a momentary power interruption occurs and will continue for as long as necessary to maintain service. Complete system coverage is maintained by this third tier of backup power and includes alarms, lights, air conditioning, fire suppression systems, heating, electronic equipment and CA work stations. This system allows any battery power that may have been expended to quickly recharge and ensure continued multiple levels of power-loss protection.

Disaster Recovery Plan

The Account Manager assigned to the State of Florida will be responsible for ensuring the disaster recovery notification requirements of the Contract Manager are met. The Contract Manager will be notified when any portion of the state is isolated for more than five minutes from the relay services. Following any service or disaster recovery, the Contract Manager will receive a report after the service has been restored.

AT&T in conjunction with Geotel™ have implemented the Intelligent Call Routing System throughout the AT&T Relay complex. Although Florida will have a dedicated state center it is important to understand how traffic will be handled in the event of any emergency. Geotel™ provides a software-based processing application offering call-by-call routing to geographically distributed call centers. This system utilizes real-time call handling and CA status data in routing every call. AT&T will, at no additional cost to Florida, implement this leading edge call routing technology to the Florida Relay Center.

The fault tolerant nature of Geotel™ a self-diagnosing and self-maintaining system that requires limited administration. The fault tolerant architecture of the system ensures continuous operation without interruption, in the event of hardware, software, or network failures. The main goals of the Geotel™ Intelligent Call Routing System's fault tolerant architecture are to:

- Eliminate all single points of failure that would cause other call routing systems to stop.

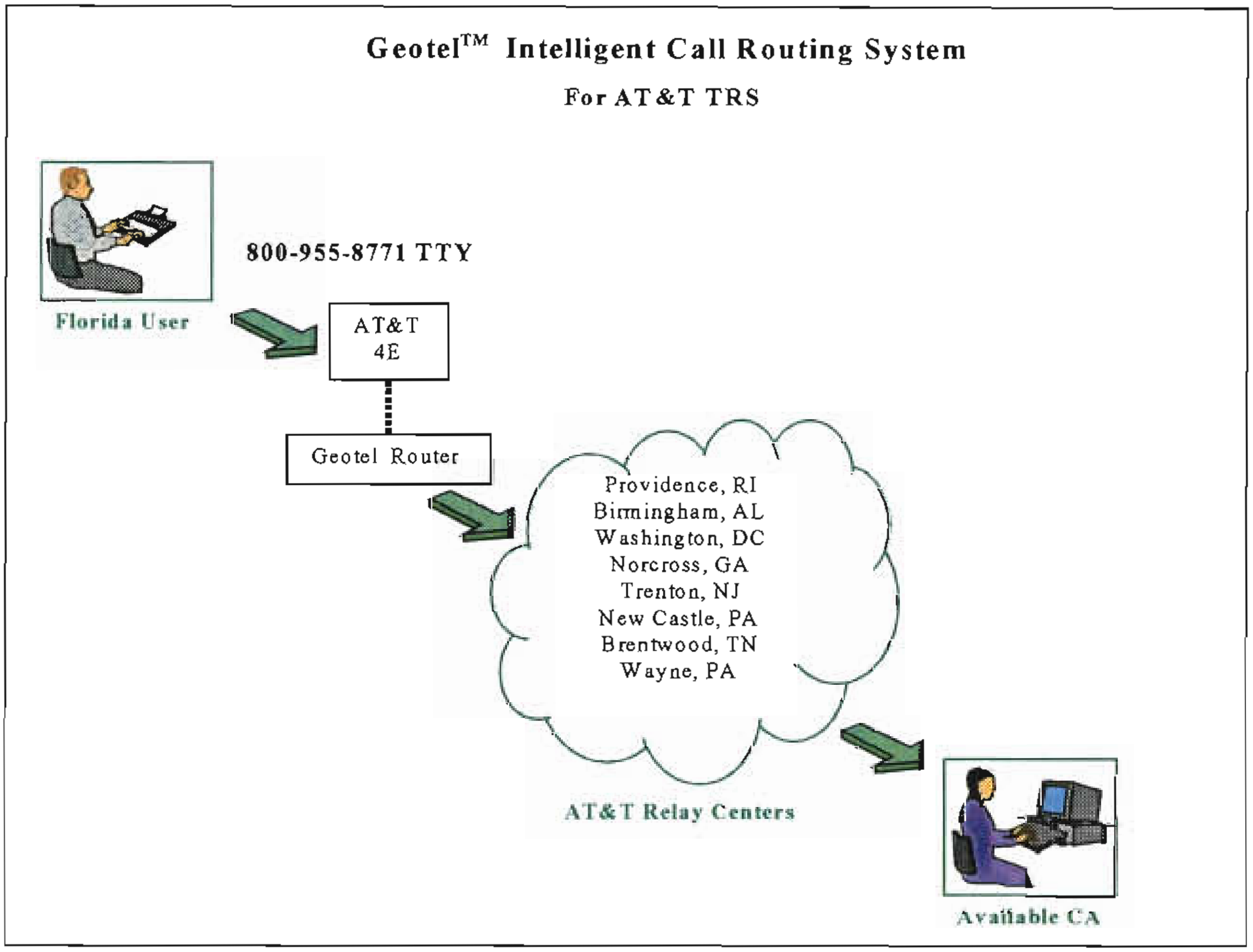
- Provide disaster protection by allowing the major system components to be geographically separated.

To ensure the Geotel™ Intelligent Call Routing System continues to operate in the case of hardware failure, all critical parts of the system have been duplicated.

- The Geotel™ Intelligent Call Routing System has a seven day, twenty-four hour support center that automatically detects failure and takes the necessary steps to rectify the situation.

- Each center is equipped with redundant hardware of the Geotel™ Intelligent Call Routing System for fault tolerance

The following is an illustration of the Geotel™ Intelligent Call Routing System that would be implemented should the Florida Relay Center ever experience a service recovery or service disaster situation.


Geotel™ Intelligent Call Routing System
For AT&T TRS
800-955-8771 TTY
Florida User
AT&T
4E
Geotel Router
Providence, RI
Birmingham, AL
Washington, DC
Norcross, GA
Trenton, NJ
New Castle, PA
Brentwood, TN
Wayne, PA
AT&T Relay Centers
Available CA

Disaster Recovery Plan for Florida Relay Service

All of our relay centers are equipped with backup power and services to ensure uninterrupted relay service. The ultimate goal of the Disaster/Service Recovery Plan is 100% up time and no service level degradation.

The cause for service interruptions are natural or man-made. The affected element could be the center itself, cable between the center and the local telephone company, or cabling between AT&T offices. In all instances, AT&T strives to ensure high-quality relay service.

AT&T has several plans for ensuring uninterrupted relay service including:

- dynamic call routing automatically detecting failure and rerouting calls
- service monitoring via OMC staff
- power backup via generators
- duplicate common control for all equipment
- an inventory of on-site spare parts
- automatic emergency transfer
- relay center backup via AT&T's service recovery plan
- intercept messages.

Whether a service interruption is a natural or man-made, the dynamic call routing procedure will be initiated to guarantee proper service levels.

AT&T's switching system has a duplicate common control to ensure uninterruptible service. It also has a fault detection system that monitors errors and prevents system crashes. The central processing unit, central call processing and maintenance functions, system memory and common control power supplies are duplicated. This allows AT&T to conduct preventative maintenance while the system is "live." Should problems arise with the main control, this duplicate control is ready to take over. Additionally, the system initiates a trouble call to an AT&T traffic and maintenance center equipped to resolve problems remotely. If the problem cannot be resolved remotely, a technician is immediately dispatched to the center.

Additionally, the relay software within the AT&T Relay 2000SM Platform has an Automatic Emergency Transfer feature that can forward call information from one workstation fail to another to continue relaying a call. This ensures that service is not interrupted by technical glitches.

AT&T also carries an inventory of critical parts in each of our centers. These parts include, but are not limited to, additional CA positions, PBX line cards, AT&T Relay 2000SM tape drives and memory port cards.

It is important to note that unlike other relay providers, AT&T designs, owns, and supports its relay platform. A dedicated team of technical system administrators and technicians provide three distinct tiers of support 24 hours a day, seven days a week, 365 days a year. AT&T can assure the FPSC that the Florida Relay Center will have the highest level of support and responsiveness.

B. 27 Intercept Messages

Intercept messages as appropriate shall be provided if a system failure occurs.

RESPONSE

AT&T understands and will comply.

AT&T has provisioned numerous network messages in the event that any of our relay centers develop difficulties in completing calls. These messages are in Baudot, Voice, ASCII, and Spanish covering acts of nature, work stoppage, weather delays, or technical difficulties. These messages are initiated to inform customers of potential delays in call completion.

Following are sample intercept messages:

1. "Thank you for calling. We are currently experiencing technical difficulties. Please try your call later."

2. Thank you for calling. Due to emergency conditions, we are unable to answer your call at this time. Please try you call again later.

3. Thank you for calling. Due to extreme weather conditions we are unable to answer your call at this time. Please try your call again later.

As expected, few Florida customers will ever hear or see these messages. AT&T will gladly consult with the FPSC if there is a need to modify any of these messages.

B. 28 ***Service Expansion***

Bidder shall show the capability of expanding services in response to increasing demand. Bidder shall develop and illustrate in its proposal a detailed plan of how this expansion will be accomplished. The plan shall include, but not be limited to, trunking capacity, CA work stations, personnel staffing and equipment capacity. The plan shall also indicate how any time lag shall be avoided to meet any increased call volume. The above plans shall allow the provider to be able to maintain all standards listed in the RFP.

RESPONSE

AT&T understands and will comply.

Our Service Management team is responsible for maintaining sufficient space, furniture, equipment, network, hardware, software and qualified personnel to provide the required levels of service. The Service Managers review center traffic information on a daily basis and utilize the data to update the current trend and growth projections. AT&T is not only concerned with maintaining a high level of service, but is firmly committed to expanding and improving upon our service.

When AT&T designs and builds a relay center, certain parameters are part of the basic design. To illustrate this point, each relay center has 20 percent of center capacity above the highest forecasted call volumes for the next year. If call volumes warrants expanding the Florida Relay Service, AT&T will be the first to recognize the need.

AT&T will continue to review traffic volumes on a daily basis, as well as forecast potential volumes month by month. This daily review will include, but will not be limited to, the amount of available CA positions, the current workforce headcount, network capacity, modem availability and PBX utility. If any of these items become 90% utilized AT&T will take immediate steps to increase capacity limits into the 15 to 20 percent range. This plan may include:

- Testing and hiring additional staff
- Placing orders for additional network capacity
- Installation of additional positions for call handling
- Placing more modems in the platform
- Building more capacity in the PBX carriers

The growth projections will be based on historical traffic information and recent traffic trends.

This on-going process allows the relay center management to anticipate growth and prepare for that growth. As expansion becomes necessary for Florida Relay Service, a time table will be established and procedures will be initiated to procure the necessary equipment, network capacity and personnel. Regular updates will be given to the state as the implementation process begins. The ultimate goal of this process is to ensure that the required levels of service are always maintained.

B. 29 ***New Technology***

The users should be allowed to benefit from advancing technology. Bidder should describe the methodology and process it will use to keep abreast of technological changes in the provision of relay service, to inform the FPSC and Administrator that new enhancements are available and at what price, and to provide the FPSC the opportunity to purchase such enhancements or upgrades to the service.

RESPONSE

AT&T understands and will comply.

The heart of AT&T's relay technology knowledge is a staff of Bell Labs (now AT&T Labs) engineers with over 50 collective years of relay experience. With innovations spanning network architecture, service quality and network surveillance and management, the AT&T TRS Technical Development and Service Management teams have improved and enhanced the customer's relay call experience each year since AT&T began providing relay.

AT&T has always been at the forefront of TRS technology, proposing and implementing technology that enhances the customer's calling experience, such as offering TurboCode, up-front automation of text and voice calls, and calling profiles. AT&T will continue trialing advanced features such as Web TTY as the technologies embrace relay users' needs.

On-Going TRS Product Development

AT&T generally works on an annual development cycle with a minimum of one major software release per year. We refer to this process as the "Product and Feature Realization Process," which begins with the conception of a new idea cluster ends when it is integrated into the relay complex.

Throughout this process, AT&T would work closely with the Contract Manager, the FPSC, and Florida relay users to ensure their needs are balanced with the fiscal needs of the FPSC.

While AT&T can design custom applications for our states, we typically design our features in a universal manner so that all of our state customers can benefit from them. When states agree to "universally" designed applications that become a part of AT&T's Basic Service Offering there is no additional cost passed to the state. In fact, many of our features have resulted in more efficient calls, therefore bringing significant cost savings to our states.

AT&T completed a major software upgrade in November 1998. One of the new features available to our customers is Voice Up-Front Automation℠ (VUFA). With VUFA℠, AT&T is giving the voice relay caller the option to immediately enter the number s/he wishes to call before reaching the Communications Assistant. This provides another level of control for the caller and provides for a more efficient and accurate call set up. Another innovative feature of VUFA℠ is that it allows first time relay callers the option of listening to a thorough explanation of relay without tying up the CA time. However, the most remarkable thing about VUFA℠, is that it speeds up the call set-up portion for customers who elect to use it without adding any additional wait time for those customers who simply want to speak directly to the CA. Customer response to VUFA℠ has been phenomenal. This feature will be provided at no additional cost for the Florida Relay Service.

AT&T is currently testing and trialing a new feature of the AT&T Relay 2000℠ platform that will enable 711 access. Dubbed "Pre-711 Development Readiness Testing." This feature will facilitate access for both Voice and TDD user to access and reach the relay service via a three digit universal access number, 711. Relay users only need to dial 711 to make a relay call. AT&T has been diligently working towards a quality 711 solution for our relay platform and based on consumer feedback and acceptance, we expect to upgrade our system for 711 interface in the near future. This feature will also be provided to Florida at no additional cost.

Features looming on the horizon, such as voice recognition (speech-to-text), advanced call routing by call type and IP (Internet) connectivity, are under investigation to assess their potential for improving the quality of the relay experience. AT&T has been actively involved in researching these key technologies at our TRS Development Laboratories in Indianapolis.

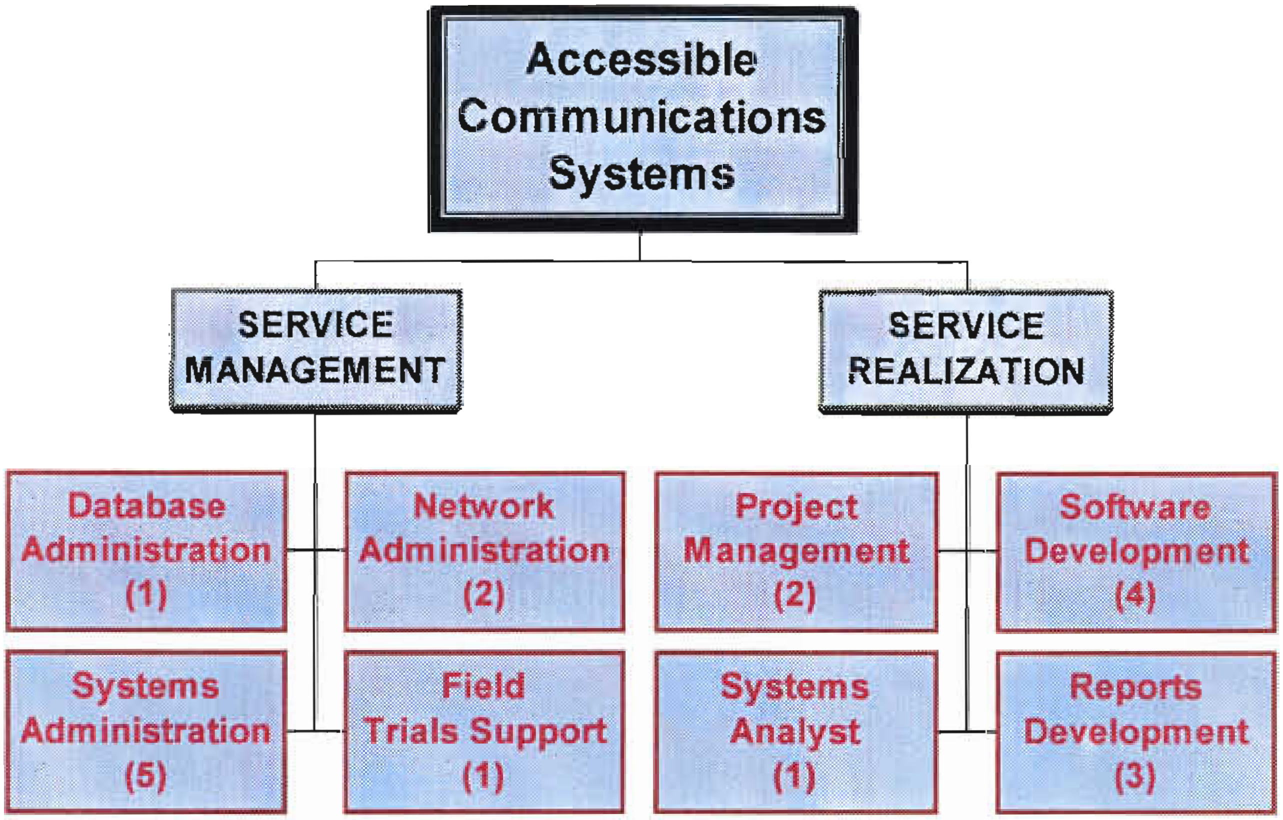
The AT&T Labs is at the heart of innovative technical development for AT&T Relay. The Development Team and Technical Team consisting of 21 members are solely focused and dedicated in developing advance Voice and TTY communications. AT&T's next generation of Relay 2000^{SM} offers the promise of exciting, new and enhanced features for the customers of the Florida Relay Service.

Our technical developers have provided leadership in the design and delivery of high performance, cost effective, relay architecture which is second to none and can now become available to the State of Florida.

Our development team loves visitors, and would be pleased to host a visit of the FPSC. AT&T cordially extends an invitation to the FPSC to visit the AT&T Relay Labs in Indianapolis or any of AT&T TRS Centers.

The next page provides the organizational chart of AT&T's Relay technical development and technical support teams.

AT&T TRS
TECHNICAL DEVELOPMENT/SUPPORT



B. 30 ***Consumer Input and Participation in Advisory Committee and FPSC Proceedings***

The telephone users shall have input on the quality of the delivery of service. Bidders shall develop a plan to include the Commission and its Advisory Committee in any evaluation of the system. A bidder shall not include travel or per diem costs of the FPSC or its Advisory Committee in its bid price since those costs will be funded by the State. An outline of this plan shall be included with the bidder's proposal. The plan should explain methods for consumer input and how the recommendations from these evaluations will be incorporated into the policies of the relay center. This does not preclude the provider from conducting additional internal evaluations which use relay staff. The results of any service quality evaluation shall be reported to the FPSC office within 15 calendar days after the last month in each quarter.

Bidders are encouraged to include in the consumer input plan methods for working with organizations serving hearing and speech impaired individuals statewide to conduct periodic community forums. The community forums shall be for the purpose of gaining user input on the quality of relay service and for responding to user questions and problems on use of the relay service. The community forums shall be planned and conducted in conjunction with organizations serving people with hearing and speech impairments.

The provider shall participate in all meetings of the Advisory Committee and all FPSC workshops and hearings relating to relay service unless excused by the contract manager.

RESPONSE

AT&T understands and will comply.

Management that is Dedicated to Your Success
Patricia A Brennan, your new Florida Account Manager….

Knowledgeable answers. Quick response times. And an experienced voice on the other end of the line. That's what you get with a full-time, dedicated Account Manager. We'll be there when you need us.

AT&T can say dedicated account management in two words: Patty Brennan. She's about to celebrate 10 years as an integral member of AT&T's Relay Service Team, with expertise in marketing, community outreach, and account management. She's also a distinguished graduate of Gallaudet University and, more importantly, your new Account Manager. It's a role that will see her participate in all Advisory Board meetings, FPSC hearings, and workshops related to Relay.

While we believe that Patty could single-handedly supply you with all the solutions you would ever need, we are providing her with a supporting cast that is both high-tech and very much involved with human interest. AT&T plans to optimize Patty's potential for success with a balance of Traditional and Web-based methods.

Web Based Marketing for the Florida Millennium

The internet is at the heart of our new Year 2000 plus plan. Not only will users be able to read and/or download brochures and articles from our web site, http://www/att.com/relay and/or the Commission's site, www.psc.state.fl.us, or Florida Telecommunications Relay, Inc. site at www.ftri.org , but they will also be able to **participate in interactive chats/forums with their dedicated Account Manager and correspond quickly and efficiently via e-mail.**

At the AT&T Relay Web site, Florida will find a feature rich environment for consumers and state administrators that includes:

State Administrators and authorized members:

- Secured on-line access for monthly traffic reports
- Secured on-line access for client billing information
- View Monthly Customer Contact Summaries

All Florida Relay Users:

- Access to interactive, feature rich information
- Access to Florida Relay Articles and Florida Relay Brochures – easily printed for use in state/local organization/agency newsletter
- Customer E-Care and Feedback forms
- Interactive product and service demos
- This will allow persons of all age to learn how to use relay viewing animated "how to make a relay call" right at their PCs
- Interactive educational workshops
- Relay Users Online Communities
- Online Florida Brochure to download and other step-by-step guides for all types of calls
- Links to TTY equipment vendors and software suppliers so users can easily download software or learn about TTY equipment to make relay calls
- Community newsgroups and chat groups with the Account Manager, or the General Manager

AT&T will work with the FPSC and Advisory Board to ensure that our electronic-based outreach and marketing programs are consistent with program goals. We will share electronic-based advertising material with FPSC that is intended to promote usage of Florida Relay Service.

Traditionally Speaking ...

AT&T's performance metrics are designed to measure service quality at a national and state level. These metrics align with individual performance objectives as well. AT&T models of customer service are continually monitored in a variety of ways:

- **Annual Customer Satisfaction Survey**
- **Annual Measures of a Quality Call (MOQC) Testing**
- **Continuous Process Quality Metrics**
- **Individual CA Performance Assessment**

AT&T commits to providing the FPSC with results of the Annual Customer Satisfaction Survey, Annual Measures of a Quality Call testing, and the Continuous Process Quality Metrics within 15 calendar days after the last month in each quarter.

Consumer Input.

AT&T firmly believes that Consumer Input is vital to the success of relay service. For this reason, AT&T actively solicits and encourages relay users to provide comments, feedback, and complaints about the relay service. As the provider for the Florida Relay Service, AT&T is prepared to provide Floridians with the most comprehensive modes for providing input into the relay service. All input and feedback, whether positive or negative is analyzed routinely for process improvements and planning processes. Suggestions and recommendations for changes in methods and procedures go through a formal process which involves a number of steps.

AT&T has, in the past, made several changes to methods and procedures based directly from Consumer Input. The state of Florida has AT&T's commitment that this process will continue. Of course, AT&T will first consult with the FPSC before implementing or changing any contractual agreed upon requirements.

We believe it is critical to emphasize the value of Florida Relay Service to all people, including individuals who are deaf, hard of hearing, speech disabled, and deaf-blind as well as hearing people. Everyone needs to be aware of the availability of Florida Relay Service and feature enhancements to this service.

AT&T will employ a variety of high-tech vehicles to:

- communicate and promote the usage of relay service
- provide the Florida Relay Service users with as many options as possible for providing direct input into the service.

Best of Both Worlds...

Patty Brennan, your dedicated Account Manager, will stand in the eye of the center, strongly supported by all of the above and the following:

- Developing an annual outreach activity plan to meet the needs of its key stakeholders. This includes: deaf, deaf-blind, late deafened adults and hard-of-hearing individuals; speech disabled individuals and business and hearing individuals who are potential relay users.
- Managing and coordinating the implementation of electronic-based outreach activities, such as: acting as an electronic clearinghouse for outreach referrals and requests; supplying content to the TRS Administrator and/or the Florida agencies for exhibits at local, state, regional and national events; **obtaining consumer input** by hosting community E-forums via the Internet with support from key deaf advocates or; showcasing our technology by participating in advisory board meetings via teleconferencing.
- Coordinating and managing public communications, media and advertising for outreach activities such as: producing and electronically distributing brochures; providing articles and/or advertisements for publications and web sites; and working with the FPSC and consumers to include Florida Relay Service information in telephone directories. The Account Manager will also review material with the FPSC that it has downloaded to ensure its accuracy.
- Continually keeping up-to-date on politics and trends in the relay industry and modifying and improving outreach activities **based on consumer input and input from the FPSC**
- Developing relationships with key advocates and working to deepen these relationships.

And, for those who don't have access to Personal Computers, they can go to libraries or call up one of Florida's AT&T Cares Volunteers! The Account Manager will work with 8,000 AT&T employees and retirees based in the Florida community to deliver face-to-face presentations on Florida Relay Service. To exercise our corporate responsibility in the communities where our employees and customers live and work, AT&T has introduced the AT&T Cares Community Service Program.

Advisory Committee and FPSC Participation

AT&T welcomes and values comments and feedback that can be provided by the Florida Public Service Commission and its Advisory Committee. Patty Brennan, the Account Manager assigned to Florida will attend and participate in all meetings and workshops.

B. 31 Complaint Resolution

The provider shall establish procedures regarding complaints, inquiries and comments regarding system services and personnel. The provider shall ensure that any caller to the relay center having a complaint will be able to reach a supervisor or administrator while still on line during a relay call. All complaints received by supervisors or in writing shall be documented, including their resolution, and kept on file and available to the Commission upon request. In addition, the relay center shall have a toll-free Customer Services telephone number available and accessible to the public statewide for the purpose of reporting service or other deficiencies. Records of such reports and copies of written reports regarding service or other deficiencies shall be maintained for the life of the contract and for twelve (12) months after conclusion of the contract period. This record shall include the name and/or address of the complainant, the date and time received, the CA identification number, the nature of the complaint, the result of any investigation, the disposition of the complaint and the date of such disposition. Each signed letter of complaint shall be acknowledged in writing or by contact by a representative of the provider. The necessary replies to inquiries propounded by the Commission's staff concerning service or other complaints received by the Commission shall be furnished in writing within fifteen (15) days from the date of the Commission inquiry.

RESPONSE

AT&T understands and will comply.

AT&T recognizes customer feedback as vital to the success of our service. Therefore, AT&T has established procedures that will allow users of the Florida Relay Service to express their comments, inquiries, complaints and commendations about the relay service and personnel. All complaint information will be kept confidential. These procedures will be explained in appropriate Florida Relay Service Consumer Education and information materials. All complaints received at the Center(s) or by the Account Manager, will be documented, including their resolution, kept on file and forwarded monthly to the Contract Administrator.

If a user comments unfavorably about the service and the CA believes that customer satisfaction can be achieved immediately, the CA will attempt to do so. Additionally, if the CA has difficulty handling the call and believes that an extended discussion is needed or that the matter requires management involvement, the CA will offer to immediately connect the call to a supervisor or manager who will stay on-line with the Florida relay user.

Briefly described below are the procedures for complaint resolution:

- **On-line Transfer** - The procedure includes immediate, on-line transfer to a supervisor or administrator trained in complaint, comment and inquiry handling. Administrative and supervisory personnel abide by the same Code of Confidentiality as Communications Assistants.

  When the supervisor or administrator receives the on-line transfer or critical comment from the customer, the manager proceeds as follows:

  1. Prepares a customer contact memorandum
  2. Considers the complaint from the customer's point of view
  3. Resolves the criticism as quickly and satisfactorily as possible
  4. Does not hesitate to escalate the complaint to the next management level, if needed
  5. Documents the investigation and resolution
  6. Follows up with the customer to ensure satisfaction with the resolution.

- **Nation-wide 800 Customer Number** - AT&T operates a separate, nation-wide, toll-free numbers accessible to both TTY and voice users:

  TTY : 1-800-682-8786
  Voice: 1-800-682-8706
  Fax: 1-888-288-2184

  This service is accessible 24 hours-a-day and allows users to call with questions, comments, commendations and complaints regarding the relay service. If a live attendant is not immediately available, the caller is asked to leave his/her name and number and an attendant will return the call promptly, often within two to four hours.

- **Acknowledgment** - Complaints received by both mail and telephone will be acknowledged in writing or by contact from a representative of AT&T within 24 to 36 hours.

Records of customer contacts and copies of written letters regarding service or other concerns will be maintained for the life of the contract and for twelve months following the expiration date of the contract. This record will include the name and/or address of the complainant, the date and time received, the CA identification number, the nature of the complaint, the result of any investigation, the disposition of the complaint and the date of such disposition.

B. 32 *Charges for Incoming Calls*
The Provider shall make no charge to the users for making calls (incoming) to the relay service.

RESPONSE

AT&T understands and will comply.

Calls to the Florida Relay Service (FRS) will be handled at no cost to the person making the call. Customers will access the Florida Relay Service via a toll free 800 number. No portion of the expense of calls to the Florida Relay Service will be charged to the caller.

B. 33 ***Billing Arrangements***

Provider shall bill for charges for collect calls, person-to-person calls, calls to or from hotel rooms and pay telephones, and calls charged to a third party. Provider shall also arrange for billing to any industry standard local exchange company or alternative local exchange company calling card. For calls billed by or on behalf of the provider, the bidder shall include a complete description of how users will be billed for all calls. This description shall include the bidder's procedures for obtaining billing information from the local exchange and alternative local exchange companies, whether the billing will be performed directly by the provider itself or contracted, specific credit cards or telephone calling cards to which calls can be billed, and a sample bill format. The bidder shall also explain how it will respond to customer inquiries about erroneous bills and how credits will be issued or refunds made.

RESPONSE

AT&T understands and will comply.

AT&T is committed to accuracy in call recording and billing as is evidenced by infrastructure investments and process improvements made over the last year.

- **Customer Billing Issues Resolution Process.** Through the customer contact staff of the National Customer Care Center (a national 800 number which is available 24 hours a day/ 7 days a week to AT&T TRS Voice or TDD customers) each customer has access to the engineers responsible for the software architecture, development, and system maintenance of the AT&T TRS billing and reporting systems. This provides response accuracy for customer complaints as well as a "customer-to-engineer" path for problem resolution and system modification. Implementation of this process in June 1999, has led to system modification for user billing problems to drive system performance toward the goal of 100% billing accuracy for AT&T TRS end users.

- **User Billing System.** In December 1998, AT&T TRS released a state of the art, end-user billing system. It leverages database technology and architecture flexibility to produce a complex back-end system providing AT&T TRS the power to drive toward the goal of 100% billing accuracy for relay users. With this system, AT&T Relay can track end-user call detail to the accuracy of each individual call which provides the architecture to meet and exceed end user billing needs for today and tomorrow.

- **AT&T Billing Stream**. AT&T Relay call details are rated and/or rendered by the power of the AT&T billing stream. AT&T Relay DOES NOT have an adjunct billing system which provides billing for users of relay only. With billing record software input modifications, AT&T Relay has access to all the power and flexibility of mainline AT&T billing systems.

The billing processes and systems that support relay calls are so "state-of-the art" there is no known call type that AT&T relay cannot bill and bill accurately.

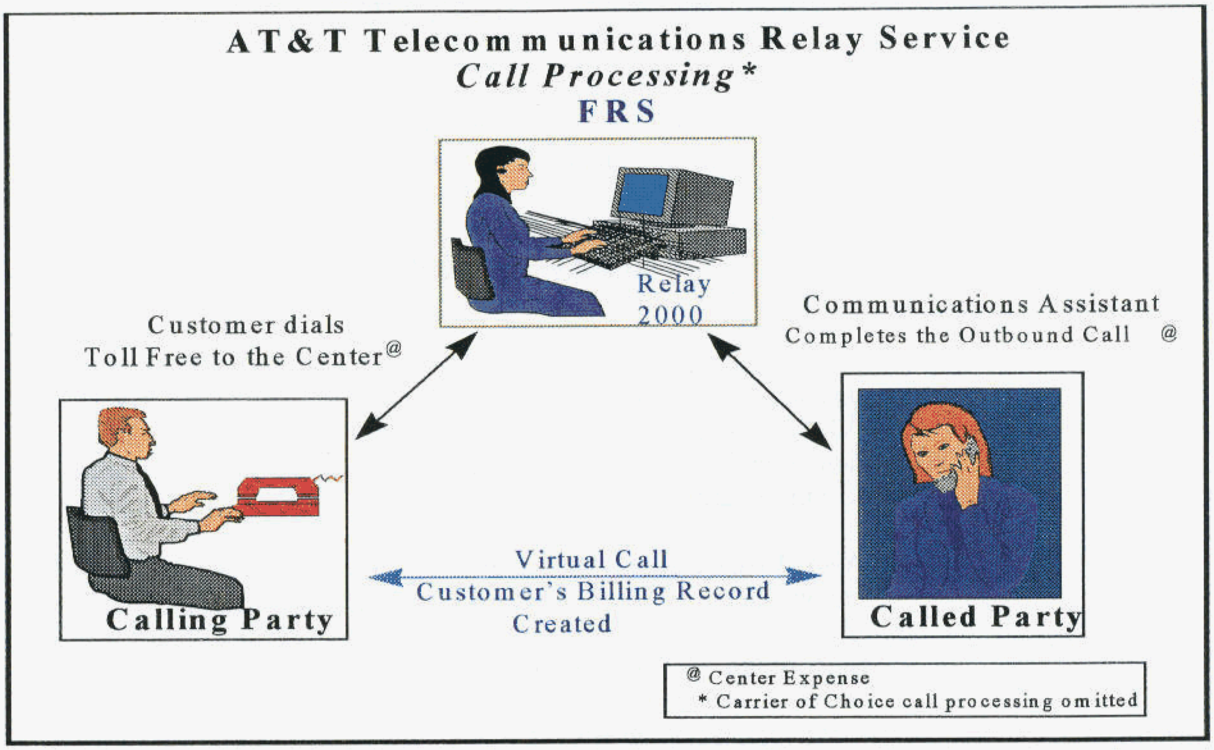
AT&T has the capability and technology to provide billing for direct distance dialed and alternate billed calls to include the handling of AT&T calling cards, collect calls, person-to-person, calls to or from hotel/motel rooms, pay telephones, major credit cards and calls charged to a third party.

Also, AT&T currently processes calls to proprietary calling cards which are validated via a toll free number platform and/or the Carrier of Choice platform. To our knowledge, all proprietary calling cards meet the criteria for one of these two scenarios. However, if a LEC provisions a calling card with non-standard access or validation methodology, a unique solution must be established. AT&T is committed to working with any LEC to establish a method of billing to its proprietary calling cards.

Call Processing

Florida Relay Service calls will be labeled "via relay" on the user's bill and will be billed in the following manner:

1. The customer will access Florida Relay Service toll free via the published numbers. (see Call Processing Illustration)



2. AT&T's patented Relay 2000℠ Platform automatically captures all call information pertaining to the billing of relay calls and creates a Virtual Call billing record as illustrated in the following figure. AT&T will create for each relay assisted call an Exchange Message Interface (EMI) record as described in Bellcore Publication SRISD 000320. The record contains, at a minimum, the following information:

   a) Telephone number or calling card to be billed (NPA-NXX-LINE)
   b) Originating Telephone Number (NPA-NXX-LINE)
   c) Terminating Telephone Number (NPA-NXX-LINE)
   d) Date
   e) Start Time (the time when the call is answered by the called party)
   f) End Time (the time when either the called party or the calling party hangs up)
   g) Length of call to the nearest full second (the amount of time in between start time and end time)
   h) The phrase "VIA Relay" will be populated in the "TO" place on the billing record

3. The AT&T rated Message Telecommunications Services "Virtual" TRS record and the Local Exchange Carrier's local recorded Message Telecommunications Services "Virtual" TRS record will be transmitted to the appropriate billing contractors via existing electronic transmission procedures. The illustration that follows provide the format of a sample bill.

   Note: The key rate applied would reflect the 50% discounted rate that the Florida Relay uses are entitled to receive.

Sample Bill Format

AT&T

XYZ TELEPHONE COMPANY

XXX-555-1212-123 May 1, 1999 Page X

AT&T DETAIL OF ITEMIZED CALLS

NO.	*DATE*	*TIME*	*PLACE*		*AREA-NUMBER*	*	*MIN*	*AMT*
1	APR 1	1015AM	TO VIA RELAY	NJ	609-XXX-XXXX	E	15	X.XX
2	APR 1	223PM	TO ATLANTA	NJ	404-XXX-XXXX	E	5	X.XX
3	APR 5	947PM	TO VIA RELAY	MT	406-XXX-XXXX	N	5	X.XX
4.	APR 9	1034PM	TO ORLANDO	FL	305-XXX-XXXX	E	5	X.XX

CALLING CARD

1.	APR 1	1015AM	TO VIA RELAY	NJ	201-XXX-XXXX			
			FR WASHINGTON	DC	202-XXX-XXXX	EC	8	X.XX
2.	APR 12	444AM	TO BROOKLYN	NY	718-XXX-XXXX			
			FR ANYTOWN	DC	202-XXX-XXXX	DC	18	X.XX

KEY *-RATE APPLIED:

D -DAY
E -EVENING
N -NIGHT/WKEND
DC -DAY CALL CARD
EC -EVENING CALL CARD

AT&T TOTAL ITEMIZED CALL CHARGES XXX.XX

Florida Relay Service users who have inquiries about their relay bill or erroneous charges will be able to contact the AT&T Long Distance Service Center (LDSC) via a toll free number for assistance. The AT&T LDSC is authorized to issue credits or refunds.

B. 34 End User Billing for Intrastate Calls

The bidder shall explain how its discount toll plan subscribers would be billed for relayed calls billed by or on behalf of the provider. For example, if a bidder offers a discount for over 5 hours of usage per month, the bidder should explain how a subscriber to that service would be billed for any relay calls made during the month.

The provider shall not charge the end user more for non-message toll relay calling than would be charged for the same call if billed by the end user's local exchange or alternative local exchange company. The provider can accomplish this by obtaining necessary billing information about the end user's local company in order to ensure that it does not bill in excess of those rates (e.g., extended area service calls, extended calling service calls, etc.)

In the alternative, the provider can collect necessary billing information and turn that billing information over to the end user's local company so that the end user's local company can bill for relay calls under the local company's rates. If this alternative approach is taken, the provider shall submit the billing information to the local company in an industry standard format and the provider shall incur whatever costs are required to correctly format the billing information so that the local company can bill the calls.

Of the two approaches described above, the bidder should indicate how it will initially bill calls and the provider shall advise the contract manager whenever it changes billing methodologies.

RESPONSE

AT&T understands and will comply.

AT&T's Relay 2000^{SM} platform automatically captures all call information pertaining to the billing of relay calls and creates a Virtual Call billing record. AT&T creates for each intrastate relay call an Exchange Message Interface (EMI) record as described in Bellcore Publication SRISD 000320. The record contains, at a minimum, the following information:

1. Telephone number or calling card to be billed (NPA-NXX-LINE).
2. Originating Telephone Number (NPA-NXX-LINE).
3. Terminating Telephone Number (NPA-NXX-LINE).
4. Date
5. Start Time (the time when the call is answered by the called party).
6. End Time (the time when either the called party or the calling party hangs up).
7. Length of call to the nearest full second (the amount of time in between start time and end time).
8. The phrase "VIA Relay" will be populated in the "TO" place on the billing record by AT&T as the bill renderer.

The AT&T rated virtual record the Local Exchange Carrier's local recorded virtual TRS record will be transmitted to the appropriate billing contractors via existing electronic transmission procedures. Please refer to B.33 for an illustration of a sample bill.

All AT&T billed intrastate toll calls whether originated by the TDD user or the telephone voice customer could be billed at 50% of the rate for non-relay call. An additional 10% discount could apply to calls that either originate or terminate to a relay user who is dual-sensory impaired. The discounted rate could automatically be provided through AT&T's billing stream whenever the relay user elects to have their toll intrastate calls billed by AT&T.

AT&T will notify and advise the contract manager whenever billing methodologies are changed

Free long distance and intrastate toll calls for <u>every</u> Relay user in the state of Florida for three months from the day the AT&T Florida Relay Center opens its doors.* Choosing AT&T...it's your call.

You Make the Call!

We want you to choose AT&T's proposal to provide Relay Service to the state of Florida. How do we get you to make that choice? You've already ready about the technically superior advances we're going to implement. Now AT&T would like to show the level of commitment we're willing to demonstrate to the users of Florida Relay Service by extending ***the very special offer of three months of free long distance and intrastate toll calling service* from the day the AT&T Florida Relay Center officially opens its doors.*** Complimentary service for extraordinary consumers. It's your call.

** subject to tariff effectiveness and available to all subscribers, except those who select a different Carrier of Choice for long distance or local toll calls.*

B. 35 ***Relaying Interstate and International Calls***

The provider shall be required to relay interstate and international calls that originate or terminate in Florida. The provider shall not include in its bill for Florida relay service any charges or time associated with interstate or international calls.

If relayed interstate or international calls are to be billed by the provider to the end user at a rate higher than the rate for a non-relay call, the provider shall quote the rate to the party to be billed before beginning the call. The bidder should indicate how its rate for interstate and international calls will compare to the rate for non-relay calls and whether any discounts or additional charges will apply to interstate and international relay calls.

RESPONSE AT&T understands and will comply.

Customers dialing Florida Relay Service numbers may also request interstate/international calls. CAs complete such calls following the same general procedures which apply for intrastate calls. AT&T's technology automatically identifies interstate calls, and the FPSC will not be charged for these calls since they are the responsibility of the interexchange carrier. AT&T will be the interexchange carrier for such calls, unless the customer requests an alternate carrier that is a participant in the industry standard plan for handling Carrier of Choice calls.

AT&T Interstate and international calls processed through the relay service are billed at the same rate as non-relay calls. There is no additional charge to the caller to request and complete either an interstate or international relay call.

You Make the Call!

We want you to choose AT&T's proposal to provide Relay Service to the state of Florida. How do we get you to make that choice? You've already read about the technically superior advances we're going to implement. Now AT&T would like to show the level of commitment we're willing to demonstrate to the users of Florida Relay Service by extending ***the very special offer of three months of free long distance and intrastate toll calling service* from the day the AT&T Florida Relay Center officially opens its doors.*** Complimentary service for extraordinary consumers. It's your call.

** subject to tariff effectiveness and available to all subscriber, except those who select a different Carrier of Choice for long distance or local toll calls.*

B. 36 ***End User Selection of Carrier***

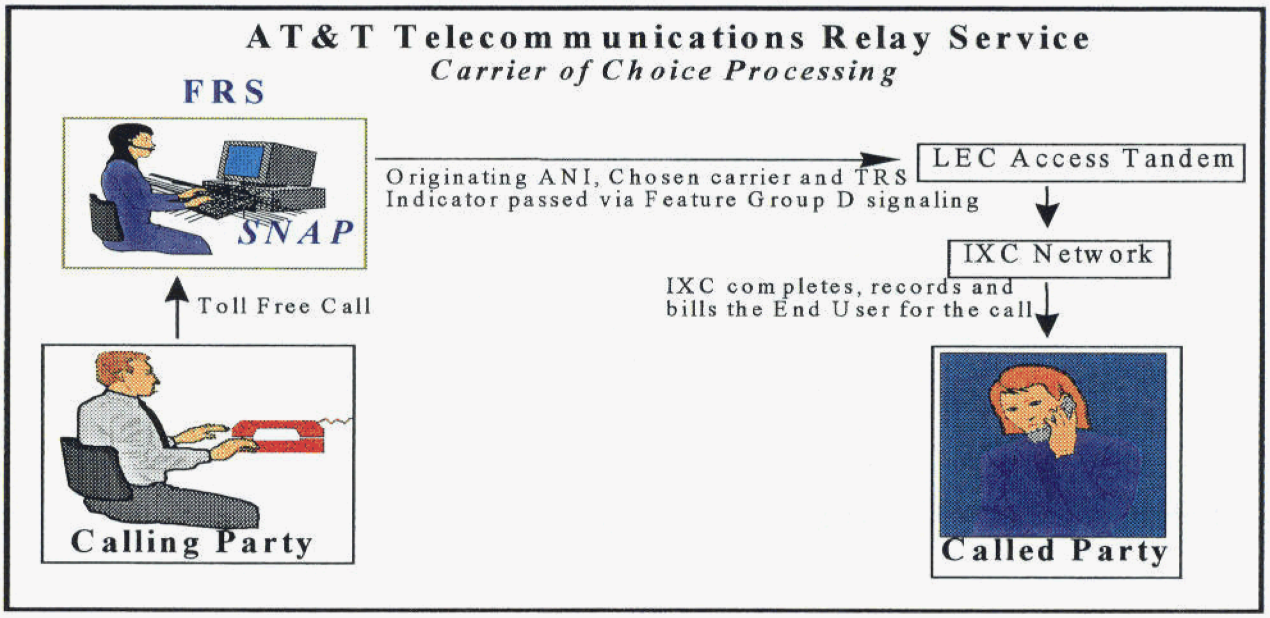
The provider shall allow a caller to select an available inter-exchange company other than the provider for billing purposes. The provider must meet current and subsequent requirements of the Network Interconnection Interoperability Forum for handling end user requests for a carrier other than the provider. The bidder should include a copy of the current standard along with its proposal and the provider shall provide to the FPSC any subsequent updates in the standard as soon as they are adopted.

RESPONSE

AT&T understands and will comply.

Customers who call Florida Relay Service may request another interexchange carrier other than AT&T for network completion of intraLATA toll, inter-Regional calls, or interLATA calls as long as the carrier is a participant in the industry's standard solution for carrier of choice calls. Upon request, the CA enters the customer's choice and then hits the call completion keys enabling the call to be carried and billed by the requested carrier's network. Relay customers may request another carrier for completion of standard relay calls as well as with any operator-assisted type of relay call.

The AT&T Relay 2000℠ Platform automatically routes the call to a LEC access tandem, which forwards the call directly to the chosen carrier's network along with billing information over a special Feature Group D type circuit. The chosen carrier's network completes the call and creates a billing record. When the call is connected to the called party, the end user billing timer starts and the CA begins to relay the conversation. Currently, the carriers that participate in the industry solution for Carrier of Choice include: SPRINT, MCI WorldCom, Frontier, Wiltel, LDDS, Metromedia and AT&T.



Customers of Florida Relay Service will have the added advantage of choosing their preferred carrier for completion of all their toll, interLATA and interstate calls with their AT&T's Relay Choice℠ Profile. This will allow for automatic call completion through their preferred carrier without the need to inform the CA each time.

AT&T

B. 37 ***Recipient of Toll Revenues***
The relay provider or its underlying telecommunications provider shall be allowed to retain the toll revenues for all long distance calls billed by or on behalf of the relay provider or its underlying telecommunications provider.

RESPONSE

AT&T understands and will comply.

All long distance calls will default through AT&T's national network unless the user requests that their call be handled differently through the Carrier-of-Choice platform. AT&T handles both call types accurately with the most sophisticated TRS billing system in the industry. The billing database technology is capable of rendering an accurate end-user bill regardless of their carrier preference and call type, whether it be intraLATA, intrastate or interstate. Not only can the relay users choose to be billed by their carrier of choice, they will be billed based upon their pre-subscribed calling plans with their long distance providers.

Some of AT&T's relay competitors do not have the technology necessary to bill certain call types. Some have chosen simply to not bill the call and identify this access relief. If the FPSC finds this option attractive, AT&T's billing system could easily accommodate such a change.

You Make the Call!

We want you to choose AT&T's proposal to provide Relay Services to the state of Florida. How do we get you to make that choice? You've already read about the technically superior advances we're going to implement. Now AT&T would like to show the level of commitment we're willing to demonstrate to the users of Florida Relay Service by extending ***the very special offer of three months of free long distance and intrastate toll calling service* from the day the AT&T Florida Relay Center officially opens its doors.*** Complimentary service for extraordinary consumers. It's your call.

** subject to tariff effectiveness and available to all subscribers, except those who select a different Carrier of Choice for long distance or local toll calls.*

B. 38 ***Long Distance Billing***

Operator-handled calls shall be carefully supervised and disconnects made promptly. A check of the timing clock shall be made at least once each twenty-four (24) hours to ensure that the clocks are synchronized and that the time is correct. Clock deviations shall not be in excess of 12 seconds. Bidders shall specify the record system for identifying and documenting long distance and toll calls for billing purposes. The record shall contain, at a minimum, the following information:

a. telephone number or credit card number to be billed (NPA-prefix-line number)

b. originating and terminating telephone number (NPA-prefix-line number)

c. originating and terminating exchange name

d. date

e. start time

f. call duration to the full second (the time in between start time and end time)

Long distance calls billed to subscribers shall be listed chronologically and reflect the connect time of such calls based on the appropriate time zone. Bidders shall also fully describe the billing system and billing process that will be used, including identification of any subcontractors, specific duties of the subcontractors, and how the billing record detail will be transmitted to the billing agent (if any).

RESPONSE

AT&T understands and will comply.

Details regarding the billing system used for handling long distance call billing and the bill record is detailed in Section 33, Call Processing and Bill Record. These sections identify the billing process that will be used, the information included in the bill record and how the billing record detail will be transmitted to the billing agent (LEC or alternate IXC).

- billing system automatically calls the National Bureau of Standards for time synchronization at least once every 24 hours

- all AT&T billing is performed by AT&T in rating of each call detail so third party contracted interface problems do not exist
- over 135 statistics are captured on every call with over 30 statistics monitoring the CA performance on each call
- CA performance is electronically monitoring with regular reporting and follow up

B. 39 ***Special Needs***

The provider will not be required to provide Special Need services. However, consideration will be given for additional evaluation points for proposals that include Special Need services (beyond any other services for basic relay described elsewhere in this RFP) as a part of the basic relay service.

Special Needs is defined as limiting factors of a physical or literacy nature that preclude a person who is hearing, speech or dual-sensory (both hearing and visually impaired) disabled from using basic relay service. Special Needs includes: (1) physical limitations, either temporary or permanent, which preclude use of a TDD with or without adaptations for persons with manual dexterity limitations (e.g., paralysis, severe arthritis, broken fingers) and (2) markedly limited ability either to read or write English or Spanish which precludes user from being able to use the relay service. (It should be understood that relay service does not include translation from one language to another for the Special Needs population or for any other consumers.) Special Needs does not include (1) unavailability of telephone service at the caller's home or business, (2) inability to communicate in either English or Spanish (i.e., where caller can only communicate in a language other than English or Spanish), or (3) handling complex calls (e.g., intervening in a call with a doctor to explain a medical procedure.)

The bidder shall describe what steps will be taken to provide telecommunications assistance to persons with hearing, speech and dual-sensory impairments who have special needs. This description shall include the types of services that would be provided, the prices to end users (if any) for those services, how those services would operationally be provided, how parties other than the provider would be involved in providing Special Needs services and how the provider would assure that those parties would fulfill their portion of the service obligation.

RESPONSE

AT&T understands and will comply.

In 1987, before the Americans With Disabilities Act was introduced, AT&T was first company to offer a nationwide Special Needs service called Operator Services for the Deaf (OSD). Today, this service continues to support operator services and directory assistance calls for TTY user, and is offered as part of AT&T TRS with no contracted cost to our states. This service was integrated with AT&T TRS, and now provides seamless service to millions of callers annually.

The AT&T TRS development staff takes great pride in working issues that support the Special Needs community. In 1992, the same development lab that supports TRS introduced the *Public Phone 2000*, the most advanced public telephone of its kind. it featured a data port for connection of laptop computers or fax machines, a color screen, and a built-in keyboard for use as a computer terminal or a TTY device.

In 1993, Bell Labs offered TRS assistance in developing an innovative "sightless" CA station so that blind CAs could provide relay for the hearing disabled. Blind CA workstations continue to be used in the AT&T relay complex. The blind CA's disability remains transparent to the end-user, as they continuously get high CA ratings.

As part of the Basic AT&T Relay Service, AT&T is always on the look-out for innovative software and hardware solutions that will bridge the special needs of users with disabilities beyond hearing and speaking. For limited mobility customers, we are evaluating software that converts Morse Code into text. This software would allow users to "type" via Morse Code and have the text transmitted to a CA who in turn would speak the words to the far party. AT&T would make available to the outreach organizations, any software that is identified that would be of assistance to users with special needs.

Technology supporting physical limitations continues to grow in the Customer Premises Equipment (CPE) industry. AT&T evaluates devices, to ensure they work adequately with TRS. Examples include text-paging and special VCO/HCO phone sets.

The Special Needs services mentioned above, and most others mentioned in various areas of this RFP response, come at no direct cost to our contract states. AT&T has developed a highly integrated bundle of Special Needs services within TRS that do not include third party provisioning or support. AT&T takes great pride in providing a buffet of services to our states, offering the best feature mix for their needs. Should a new state-specific need arise, or a new piece of CPE surfaces in the marketplace, the TRS Development Staff will be eager to integrate the device with TRS, usually at no cost to the state.

B. 40 ***Custom Calling Type Features***

The bidder should explain separately how the following features would be provided. An explanation should be provided of what actions a caller would have to take to use the services.

a) *Speed Dialing*

This feature allows a caller to prearrange to identify certain numbers by name. The system would know the number to call if the caller asked the CA to call a particular name.

b) *Last Number Redial*

This would allow the caller to have the system dial the last number called via relay without the caller having to give the number to the CA

RESPONSE

AT&T understands and offers the following explanation:

a. Speed Dialing

Speed Dialing is a sub-feature of AT&T's Relay Choice[SM]. Every relay user can subscribe to a personal profile to make their relay call experience better. Within this profile, users area allowed to store up to 20 different high-usage numbers with a special "tag," such as *Mom, Work, or Home*, to expedite call progress. Once these high usage numbers are in a profile, users can simply ask the CA to dial "Mom."

b. Last Number Dialed

This feature has not yet gained interest from other states, and therefore, has not become a part of AT&T's basic relay offer. However, if this is an important feature for the Florida Relay Service customers, AT&T would be delighted to add a *last number dialed* project into the next major software release.

B. 41 ***Unsolicited Features in Basic Relay Service***

The provider will not be required to provide unsolicited features in its basic relay service. However, consideration will be given for additional evaluation points for proposals that include unsolicited features. The cost to the state for these unsolicited features must be included within the basic relay service price proposal.

Any additional features not described elsewhere in the RFP, and which the bidder is including in its basic relay service and price proposal, which a bidder would like to propose should be fully described indicating how the feature would work, how it would improve the system, which users would benefit from the feature and any other information which would allow the FPSC and PRC to evaluate the feature. Examples might include features such as: (a)providing a caller profile identifying to the CA the caller's preference regarding use of calling card, carrier of choice, use of HCO/VCO, descriptions of background noise; video interpreting; use of speech synthesis equipment instead of a CA to convert text to speech; use of voice recognition equipment instead of a CA to convert speech to text; (b) enhanced transmission speed and interrupt capability, etc.

RESPONSE

AT&T understands and will comply.

AT&T is pleased to include all the TRS features found on the following pages within the Basic Relay price. No other relay provider can offer the array of features and services that AT&T is willing to provide to Florida Relay Service users at no additional cost to the FPSC.

AT&T is confident that the FPSC will find and agree that AT&T's basic relay service is the most comprehensive in the relay industry and competitively priced.

The following pages contain an alphabetized list of each feature, how it works, how it improves the relay system, and which users benefit from each feature.

Unsolicited Features in Basic Relay Service (alphabetized)

711-Readiness

AT&T is extremely proud to announce that the Relay 2000SM Platform is 711-Ready. 711 access is a national strategy sponsored by the FCC that will allow all TRS users to access relay services in their State with a single, 3-digit access number (711).

TRS providers are not solely responsible for 711 implementation. The predominant LEC in Florida, Bell South, would be "champion" of the 711 effort – and AT&T would provide consulting services with Bell South in making 711 a reality in Florida. AT&T has taken its 711 implementation to trial and has received strong accolades. Spokespeople from non-AT&T contracted states such as Maryland and Texas have given our implementation strategy a "thumbs-up." 711 access is expected to grow relay traffic, especially from voice originated callers. Working with Bell South, AT&T can implement 711 in Florida with no service delay or disruption.

900/976

If the FPSC or the FCC mandates 900/976 service, AT&T can provide access through the facilities provisioned on our Carrier of Choice platform. This platform has the capability of passing a customer's number (ANI) to the network for direct billing to the customer. In addition, customers can block and refuse unauthorized calls. AT&T TRS recently developed a proprietary device for CAs that will help in expediting these calls (see Play Back DeviceSM).

Note: AT&T has studied this service offering and has concluded that a state's best option would be to not promote this service. In most cases, relay calls have difficulty interacting with the prompts and time-outs built into these enhanced service applications, resulting in the need for frequent callbacks and customer dissatisfaction. When these calls are attempted, the speed and quantity of information is usually too fast to permit a quality relay experience.

Automatic Error Correction

As part of the Relay ChoiceSM Platform, AT&T TRS automatically corrects common CA typographical errors and will spell out non-TTY abbreviations that may be used by the CA in voice to text translation. TDD customers may elect to turn this feature on or off in their Relay ChoiceSM Profile.

Automatic Number Identification (ANI)

AT&T was the first to provide a nationwide TRS identification to TRS users of *800-255-0000*. This identification is delivered from all AT&T call centers, regardless of their geography. This number is synonymous with "AT&T Relay" for any user who owns a caller-ID device, subscribes to caller-ID through their LEC, and receiving a call through AT&T Relay.

Some States are now requesting that the originating caller's number be transported so that the called party would see the originator's number instead of AT&T's number. AT&T has this feature under evaluation for our next software release, scheduled for the fall of 2000.

Background Noise Identification

CAs communicate to the TTY users not just spoken words from the voice user, but will also describe any appropriate sounds that they hear from the voice party, providing additional information to the TTY users. When this feature is selected as part of the Relay Choice^{SM} Profile, the TTY user can elect to turn this feature on or off.

Back End Automation^{SM} (BEA) ***(Discussed in B..12.i)***

Back-end Automation^{SM} allows the TDD user to take call control back from the CA after completing a call. The Relay 2000^{SM} Platform will allow the user to terminate the call in standard fashion, or establish a sequence call with a new called party number. If the user chooses a sequence call, a CA will once again join the bridge.

Billing Equivalency

AT&T is proud to have the most complete billing system in the TRS industry. With our vast knowledge of billing systems, AT&T provides the most accurate user billing available. Some providers do not, and must apply for waivers, with certain billing requirements. If a relay customer has chosen a different carrier for interLATA toll than their traditional provider, AT&T can support this billing diversity.

AT&T provides the most flexible billing options through a customer's local exchange company and long distance company so that they have the same billing options as non-relay users.

Billing equivalency includes:
- Calling Cards
- Commercial Credit Cards
- Pre-Paid Cards
- Collect Calls
- Bill to Third Number
- Person-to-Person
- Station-to-Station

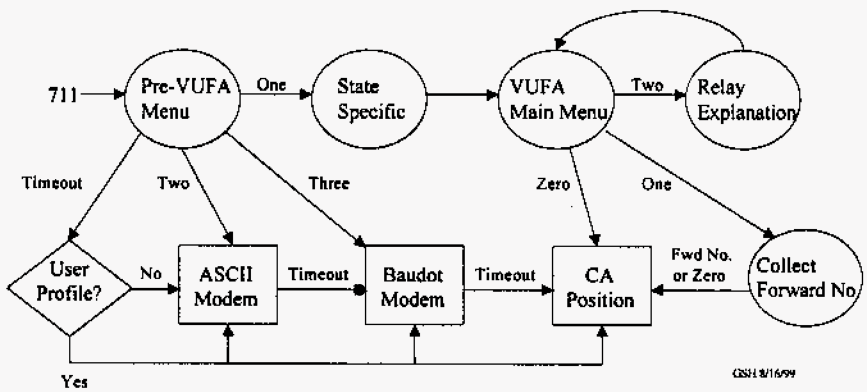
Carrier-Of-Choice (COC)	***(Discussed in section B.36)*** AT&T has provided the Carrier-Of-Choice TRS option since 1993. COC enables users to choose their favorite long-distance carriers in any jurisdiction provided that carrier meet the minimum industry standard for TRS Carrier of Choice. Relay users may identify their chosen long-distance and regional-toll carrier in their AT&T Relay Choice^{SM} Profile. Our Relay 2000^{SM} Platform will automatically populate the billing record with the proper carrier, and dial the forward number through the special Carrier of Choice (COC) network.
Coin Sent-Paid Calls	AT&T worked alongside the FCC in determining the best alternatives with regard to coin sent-paid calls. AT&T TRS is capable of handling these call types in accordance with the most recent FCC Order. The FCC has granted a temporary suspension that exempts relay coin sent-paid calls from the existing order mandated by the ADA in 1990. The current alternate plan is for free local calls when relay users make calls from a pay phone. AT&T supports this, and provides the service accordingly.
Dynamic Call Routing	Although Florida requires an instate center to handle at least 80% of their traffic, having a provider that offers dynamic call routing is imperative for smooth operations in situations where Florida calls must be handled in a different call center. Situations that may mandate calls to be sent to other call centers include extreme heavy traffic periods, technical problems (e.g. power outage), or natural emergencies (e.g. hurricane). Our dynamic call routing will get Florida customers to the next available CA as quickly as possible, regardless of the CA's geographic location.
Emergency Call Handling	***(Discussed in section B.20)*** AT&T provides CAs with immediate and direct access to a database that contains thousands of emergency agency listings. Using the caller's ANI, the CA can quickly secure the emergency agency listing and complete the relay call, providing fast emergency attention. These calls are completed at no charge to the caller.

Enhanced Voice Up Front Automation (EVUFA SM)

Enhanced Voice Upfront Automation is of strategic importance in preparing the Relay 2000SM Platform for national 711 implementation. This feature is the outgrowth of the voice upfront automation (VUFA) feature. EVUFASM provides an automated process for identifying the voice, ASCII, and Baudot users. This is necessary for 711 readiness, as all users will be entering the relay system through same access number.

It also offers additional freedom for TRS users, by providing other call processing options and allowing them to take some call control back from the CA.

N11/EVUFA Call Flow



HCO (Hearing Carry Over)

(Discussed in section B.18)

HCO enables hearing-capable TDD users to directly hear the voice person's message. The CA then voices the TDD user's typed response back to the voice caller. When this feature is selected as part of the Relay ChoiceSM Profile, the caller will be automatically connected in HCO mode for both outbound and inbound calls.

HCO-to-TTY (HTT)

HTT allows a relay call between a hearing carry-over user and traditional TDD user. The HCO user can listen to the CA voice the other TDD user's message. The CA will then transmit the HCO user's message to the TDD user.

HCO w/privacy

This feature allows for additional call privacy for the relay users. The voiced conversation is sent directly to the far party without the CA listening.

Hearing-To-Hearing (HTH)

HTH expands the HCO capability by allowing two speech-disabled TDD users to listen to the supporting CA read the typed conversations.

Internet Reports Access

AT&T can provide secured access to state relay usage information over the Internet in addition to the traditional reporting formats. This information is updated daily, and allows trends to be more closely monitored

Mobile Radio/Wireless

AT&T makes no distinction for mobile radio and wireless calls through relay. Calls are processed equally and in the same amount of time as other relay calls.

Paging/Pagers

Many TRS users enjoy the freedom offered by alphanumeric pagers. AT&T supports relay calls placed to customers that subscribe to operator-assisted paging services.

Protocol Plus℠

AT&T is the only current relay provider to be able to automatically change a TDD user's communications mode from ASCII or Turbo Code to Baudot upon request. This feature is extremely beneficial to TDD users who may not understand the manufacturer's instructions for setting or changing communications modes for purposes of placing or receiving carryover calls when the equipment is defaulted to answer or connect in ASCII. Also, AT&T modems can synchronize with virtually all ASCII PC modems currently in the marketplace.

OO-Info℠ Directory

AT&T's *OO-Info* is quickly becoming a popular enhanced service for AT&T voice customers. AT&T TRS has methods to provide the same 00-Info service to all TRS users. The cost of this call is currently $.99 which is the same whether the call is processed through relay or without relay.

Operator Release of Calls

This feature allows the CA to release a TDD originated relay call that terminates to another TDD user instead of a telephone voice user. The feature allows the CA to release the connection allowing the two TDD users to continue with their call without having to hang up or without any further assistance from the CA.

OSD Integration

AT&T understands Bell South provides traditional directory assistance and operator services in the Bell South territories, which includes Florida. AT&T provides national and International Directory Assistance (CIDA) as well as Operator Services for the Deaf (OSD). These service offerings are fully integrated into AT&T's basic service. Also, users have the flexibility to use all of these services without having to transfer between various CAs. This integration also allows for TTY-to-TTY billing options, and is another service differentiator for AT&T.

Play Back Device℠

The Play Back Device℠ (PBD) tool for CAs to support call management in situations where the TRS call terminates at a pre-recorded message or a multiple-choice Voice Response Unite (VRU) menu. It allows the CA to more accurately manage these call types while allowing them to review the call accuracy in real-time. The PBD directly supports 900/976.

Relay Choice℠ Platform (RCP)

The Relay Choice℠ Platform is designed to speed up relay call handling. With this software enhancement, completed in 1997, users can select options such as interstate Carrier-Of-Choice, intrastate toll Carrier-Of-Choice, connection mode, carryover preference (HCO, VCO, other), spelling correction (on/off), background noise (on/off), and 20 memory dialing entries (Speed Dial List). To keep this information protected, all profiles are secured with a password. AT&T handles the information collected in the profile as confidential.

Restricted Toll-Free

Sometimes, businesses set up toll-free numbers with geographic restrictions, and will not accept calls from areas outside a predetermined boundary. For example, a Miami business may have a toll-free number that accepts calls from Florida, but deny call attempts from any other State.

With this feature, if a relay call happens to be handled in an out-of-state center due to a weather emergency, a Florida resident would still be allowed access even though the supporting TRS center is not in Florida. AT&T uses a sophisticated network application to handle these call types - transparent to the user.

Roving

"Roving" is an outgrowth feature from AT&T's database mining. After an extensive trending study of our call traffic from non-AT&T states, a major growth in intrastate calls was noticed. They appear as "roving" calls; i.e., AT&T intrastate calls being placed by non-AT&T state callers. This is a typical occurrence for a traveling business person who often find themselves out of their home State, but prefer to use AT&T TRS from their home state. Most AT&T states allowed us to offer this feature.

Screening Code Database

This feature provides the CA with specific information about billing or calling restrictions pertinent to the originating line and terminating line. Such information may include line blocking, call blocking, or expanded area calling plan, and identification of coin, hotel, prison, and hospital calls. This database allows AT&T to enforce proper handling and billing for particular back numbers.

Single Line Answering Machine *(Discussed in section B.13)*

Single Line Answering Machine (SLAM) is a feature that involves retrieving messages, usually from home answering machines, when the relay caller is at the same residence, but only has one access phone line. After giving the CA instructions, the caller disconnects from relay, the CA retrieves the voice messages from the answering machine, and then returns a call to the user with their messages.

Spanish Relay

(Discussed in section B.14)

AT&T TRS provides a special group of bilingual CAs to perform all relay functions for Spanish users. Bilingual CAs are explicitly trained on processing and relaying calls in Spanish.

Speech To Speech

(Discussed in section B.42.e)

Speech to Speech enables a speech-disabled person to use the relay service with his/her own voice or voice synthesizer, rather than using a TTY. With STS, specially trained AT&T CAs function as human translators for speech-disabled persons who have trouble being understood on the telephone. If needed, the CA repeats the words of the speech disabled caller. AT&T will have a dedicated toll-free number for the Speech To Speech feature.

Telebraille

Vision impaired relay users often employ telebraille devices. Telebraille machines demand additional attention from the TRS provider to support them adequately. AT&T has a unique toll-free number and specific and unique methods in place to handle these calls as effectively as possible. Distinctive technology has also been developed and is used to service these customers (see *Text Pacing*).

Touch Tone Carryover (TTC)

TTC enables TDD users with touch tone capability to enter account numbers and other personal identification numbers (PINs) directly into the Relay 2000 interactive system without divulging this proprietary information to the CA.

Up Front Automation (UFA^{SM})

Up-front Automation allows a TDD customer to self-initiate a call to the far party. TDD users are empowered, giving them more control and greater call handling efficiency. The Relay 2000^{SM} Platform interacts directly with the caller by preparing the dialing sequence and the billing information from what the caller types to the system. The CA joins the call with one simple keystroke.

VCO (Voice Carry Over)

(Discussed in section B.18)
VCO enables TDD users who can speak to voice their message directly to the non-TDD user. The CA then types the non-TDD user's response back to the TDD user. The AT&T Relay 2000^{SM} Platform allows TDD call originators who choose VCO to verbally pass call details to the CA without typing.

VCO 2-line

(Discussed in section B.18)
A customer with conference calling capability on his or her phone line can utilize the 2-line VCO feature by using one line for voicing and the other for receiving Baudot or ASCII transmission. Since the Two-line VCO user is directly connected to the hearing party, the 2-line VCO user can talk directly to the hearing party without waiting for "GAs." This feature allows for a more natural, interactive relay call.

VCO w/privacy

This feature adds privacy to a traditional VCO call. The modems are engaged in manner where the CA can not hear the voiced conversation of the TDD user.

VCO-to-HCO (VTH)

Voice Carryover to Hearing Carryover allows the originating TDD user (speech capable) to talk directly to the terminating TDD user (hearing capable). Relay is still necessary to relay the text messaging from the HCO user to the VCO user.

VCO-to-TTY (VTT)

VTT allows a relay call between a voice carry-over user and traditional TDD user. The VCO user voices to the CA who proceeds to type the message to the TDD user. The CA then types the TDD user's response to the VCO user.

Voice-to-Voice (VTV℠)

(Discussed in section B.18)
This feature (also known as VCO to VCO) expands the VCO capability by allowing two hearing disabled TDD users to voice their parts of a call while the CA types for both parties. VTV is ideal for two TTY users who can speak but who may not know how to type or may be physically unable to type.

Voice Up Front Automation (VUFA℠)

Like UFA for text users, VUFA gives the voice caller the option to self-initiate a call to the far party. This gives the voice caller more call control and a quicker and more accurate call set up. Also, VUFA allows first time relay callers an option to listen to a complete and thorough explanation of TRS without tying up precious CA time. VUFA decreases call set up time for customers, without adding wait time for customers who want to speak directly to a relay operator.

WebTTY℠

WebTTY is an AT&T exclusive development. It is a web-based protocol converter that accepts internet text packets (*TCP/IP)* as input, and provides Baudot output, or vise-versa. Although still being trialed, it is a full-duplex service that allows users with Internet access to communicate with someone who has a generic TTY/TTY, or vise-versa. WebTTY is expected to augment the TRS customer base, attracting and linking new users with a different communication medium.

B. 42 ***FPSC Optional Services Not included in Basic Relay Service But Available to Provide at Additional Cost.***

The following services will not receive evaluation points for the purpose of determining which bidder will be selected to provide relay service. However, once a provider is selected, the FPSC will determine which of the following services it may wish to add to the basic relay service and negotiate the conditions under which these optional services may be offered. If a bidder offers a service in this section and the FPSC chooses to purchase the service, the provider must provide the service.

For each item, the bidder should include the price per billable minute (or other basis) which it would charge for the purchase of the optional service over and above the price for basic relay service. That price per billable minute (or other basis) should be listed separately in the price proposal. The proposal should also indicate how each feature would work, how it would improve the system, which users would benefit from the feature, any direct charges that would be billed to the user, and any other information that would allow the FPSC to evaluate the feature.

RESPONSE

AT&T has read and will comply.

Optional services not included in basic relay services available at additional cost is limited to Video Relay Services. Please refer to section B.42. d for details regarding this feature.

B. 42. a. ***Other Custom Calling Type Services***

The provider will not be required to provide custom calling type services unless required for certification by the FCC. No additional evaluation points will be awarded to a bidder based on a proposal to provide services which offer functionalities similar to those of one or more of the following custom calling services. The proposed charge to the Administrator for custom calling service should be separately stated in the price proposal.

The bidder shall explain how a user could receive functionalities similar to those of the following services in conjunction with a relayed call. The bidder shall also indicate what additional cost would apply to the relay user, if any. If no separate charge to the relay user is stated, it will be assumed there is no separate charge.

a. Three-way calling which would allow a user with only one telephone line to conduct a conversation with two other parties at the same time.

b. Call trace which would allow the caller to dial the relay center and have the CA provide the number of the last call made to the caller via relay.

RESPONSE

AT&T has read and will comply.

Since there is no current demand for these two services, they are not currently a part of AT&T's basic relay offer. However, if the FPSC would like these features to be provided, then AT&T would be pleased to work with the LEC to develop methods and procedures for accommodating these features into the relay service.

B. 42.b. Access to 900/976 Services

The provider will not be required to provide access to 900/976 service unless required for certification by the FCC. No additional evaluation points will be awarded to a bidder based on a proposal to provide 900/976 service. The proposed charge for 900/976 service should be separately stated in the price proposal.

The bidder should explain how it could provide relay service users with access to 976 and 900 number services. Bidders are to describe how such access can be provided, how callers can disconnect without being charged and a methodology for billing the user directly for any charges incurred from the 900/976 service. The bidder should describe how it would deal with denied 900/976 calls and high bill complaints for 900/976 calls. If this service is provided, before placing the call, the CA shall advise the caller that there will be a charge for the call.

The bidder shall explain in the proposal how interstate and intrastate 900/976 calls shall be separated for payment purposes.

RESPONSE

AT&T has read and will comply.

If 900/976 service is required for FCC certification, or the FPSC specifically requests this feature, AT&T would provide service access through our Carrier of Choice (COC) platform. The COC platform passes a customer's ANI into the general telecom network with other critical data elements so that direct and accurate network billing to the customer is achieved. For customers who disable or "block" 900/976 numbers from their residence, AT&T TRS accesses LEC generated screen-code databases that provides the necessary information to our call centers to determine if a customer should be denied this call type.

AT&T proposes methods and procedures where the CA terminates a 900/976 call as soon as the minimum billing information timer is announced. This would allow the CA to transfer the complete service introduction to the customer, but allows the customer an opportunity to terminate the call without incurring a charge. If the charge were agreed upon, the CA would redial the service.

With this non-traditional call type, AT&T suggests splitting these calls statistically between intrastate and interstate in a manner consistent with the network 900 termination points, i.e. for Florida, 5% of 900/976 call minutes would be billed intrastate (FPSC), 95% would be billed interstate (NECA).

Note: AT&T does not currently promote the use of 900/976 services in conjunction with relay because TRS systems do not effectively interact with the intense speed, numerous prompts, and time-outs built into this call-type application. Attempting to handle this call type through TRS traditionally results in frequent callbacks, higher-than-expected customers bills, customer dissatisfaction, and numerous complaints.

If the FPSC would like AT&T to provide this service, these complaints would be handled appropriately at the AT&T Long Distance Service Center (LDSC).

B. 42.c. Enhanced Transmission Speed and Interrupt Capability

The provider will not be required to provide the enhancements described below unless required for certification by the FCC. No additional evaluation points will be awarded to a bidder based on a proposal to provide these enhancements. The proposed charge to the Administrator for the enhancements below should be separately stated in the price proposal.

Enhancements may include the ability both to send and receive typed communications at the same speed as typed or transmitted. Enhanced protocols may also include the ability to send and receive interrupt signals while another party is typing. The bidder should state what requirements would exist in order for the relay user to be able to utilize the above enhancements.

RESPONSE

AT&T has read and will comply.

The most popular enhanced protocol is called TurboCode™, a proprietary protocol offered by Ulratec Incorporated. TurboCode™ is an enhanced communication protocol that lets the TDD user send and receive information as fast as it is typed. TurboCode™ also allows users to interrupt one another during conversation. The protocol is fully automatic, and is backward compatible with all TDD devices. TurboCode™ requires that both originating and receiving TDD devices be TurboCode™ enabled. This protocol is a wonderful intermediate step between traditional Baudot and ASCII.

AT&T uses Ultratec modems exclusively (i.e. no other modem vendor is used), which provided us with the distinct advantage of being 100% TurboCode™ ready before any other TRS provider. Ultratec is the market leader in TDD production and development. AT&T's exclusive use of Ultratec modems affords us the luxury of being able to automatically change a user's communication mode from ASCII or TurboCode™ to Baudot upon request. Also, AT&T's business relationship with Ultratec keeps us up to date with the latest modem technology advancements.

B. 42. d. ***Video Relay***

The provider will not be required to provide video relay interpreting unless required for certification by the FCC. No additional evaluation points will be awarded to a bidder based on a proposal to provide video relay interpreting. The proposed charge for this service should be separately stated in the price proposal.

The bidder should explain how it will provide and bill relay service users for video relay interpreting. If this service is provided, before completing the call, the CA shall advise the caller of any user charge for the call.

RESPONSE

AT&T has read and will comply.

On October 18, 1999, regarding access for people with disabilities, FCC Chairman William Kennard stated, "*Internet telephony is minuscule, but will be a much bigger deal, and we want to be ahead of the curve.*" Also mentioned in the article was that "*Typical [relay service] strategies may be ineffective, or superseded by cheaper alternatives when text and voice travel over the Internet.*"

AT&T has been studying video technology for use with relay for several years. In the past, AT&T viewed VRS as an expensive enhancement to basic relay with benefits limited to a small user base. Reasons for not developing a kiosk-based video system (similar to Sprint's) have been large cost, small user group, limited billing capability, and changing video conferencing standards. In 1997, AT&T began experimenting with multimedia telephony (voice/data/video) via the Internet with TRS. Since then, AT&T's relay development team has been awarded four patents related to work in this area.

AT&T recognizes that video is in the near future for TRS, and the use of the Internet is essential in developing a solution which will meet user expectations for years to come. Currently, multimedia connectivity via Internet Protocol (IP) is not cost effective, but due to the rapidly changing Internet landscape, the implementation of VRS using existing IP video-conferenced products is becoming more feasible and cost-justified. Although IP-based video is less mature, AT&T believes that it will provide the best solution for the long-term, and we continue to focus on this technology to provide the most viable video relay options.

Already today, the World-Wide-Web offers something which dedicated ISDN video can not provide, ubiquitous access. This means that anyone with Internet access could conceivably take part in video relay activity – instead of finding a video kiosk in a mall.

With the proper equipment and network facilities, IP-based video can offer video service comparable to the incumbent video relay platforms. With ubiquitous Internet-based VRS solution, AT&T can easily move toward a fixed-rate billing solution model, and any TRS customer with Internet access could gain VRS access. Then, there is no need to discuss specific hardware, software, protocols, or installation plans.

AT&T suggests that the FPSC support AT&T's longer-term IP based relay development, and share in the excitement of technical trials, beta tests, and ultimately a focused service roll-out in the next 18 months. If Florida would like to take a shorter-term view of a VRS implementation, AT&T would gladly create specifications and manage the implementation of a multi-point kiosk-based video relay service.

Once integrated into the robust Relay 2000℠ Platform, video relay billing can be based on a subscription basis only, or AT&T could unleash the service to the broader market, and use Internic queries to get a city/state user information. *(Internic is the national organization responsible for handling internet IP addresses.)*

Video relay would be billed similarly to standard relay. Non-toll calls will be free to the customer, and the FPSC would get minute/month usage reports. *(See video relay Pricing Section, D & E, Checklist Item 62.)*

All video relay CAs would be ASL certified, and would meet the minimum CA standards as explained in Section B.9 through the comprehensive CA training program.

B. 42. e. ***Speech-to-Speech***

The provider will not be required to provide speech to speech service unless required for certification by the FCC. No additional evaluation points will be awarded to a bidder based on a proposal to provide speech to speech service. The proposed charge for this service should be separately stated in the price proposal.

The bidder should explain how it will provide and bill relay service users with speech to speech service. If this service is provided, before completing the call, the CA shall advise the caller of any user charge amount for the call.

RESPONSE

AT&T has read and will comply.

Speech-to-speech (STS) has been integrated within AT&T's relay platform for two years. It is offered in select states. Access to STS would be provided to Florida customers, with the FPSC's authority, through a dedicated toll-free number. The STS service is available to all users that have speech disabilities or use speech synthesizers such as artificial larynx. Because the STS service is tightly integrated with AT&T's TRS platform, all relay enhancements, such as Relay Choice^{SM} Profiles or Operator Services are available to STS users.

All STS CAs meet the minimum CA standards as explained in Section B.9 through the comprehensive CA training program. This program is further enhanced to meet the special needs of a speech-to-speech call, so that calls are handled accurately and with confidence. If a situation occurs where the CA cannot complete his/her duties due to extenuating circumstances, they are replaced with another skilled STS CA.

STS is an integrated feature of the Basic AT&T TRS offering and is billed accordingly. There are no additional charges to the FPSC or the end user. Specialized STS reporting is available at no charge.

B. 42. f. Other Optional Features Not Included in Basic Relay

Any additional features not described elsewhere in the RFP which a bidder would like to propose should be fully described.

No additional evaluation points will be awarded to a bidder based on a proposal to provide these unsolicited features. The proposed charge for any unsolicited features offered under this section should be separately stated in the price proposal. After a bidder is selected to be the provider, the FPSC may contract for not only basic relay service but also for other optional features.

RESPONSE

AT&T has read and will comply.

All AT&T features have been documented in this RFP response. The only features missing are those that the Florida customers would like to see added to AT&T's next software release.

AT&T takes great pride in providing feature enhancements that are generally beneficial to all customers, and the relay Development Team works hard at tightly integrating these features, making them available through our basic relay offer. Currently, AT&T's basic relay service is made up of over 2,000,000 lines of Y2K-compatible software.

B. 43 Performance Bond

The Provider will be required to furnish an acceptable performance bond, certified or cashiers check or bank money order equal to the estimated total first year price of the contract. The bond shall be in effect for the entire duration of the contract and provided to the FPSC upon execution of the contract.

To be acceptable to the FPSC as surety for performance bonds, a Surety Company shall comply with the following provisions:

a. The Surety Company shall be admitted to do business in the State of Florida

b. The Surety Company shall have been in business and have a record of successful continuous operations for at least five (5) years

c. *The Surety Company shall have minimum Best's Policy Holder Rating of A and Required Financial Rating of VIII from Best's Key Rating Guide*

d. *All bonds shall be signed by a Florida Licensed Resident Agent who holds a current Power of Attorney from the Surety Company issuing the bond.*

RESPONSE

AT&T understands and will comply with the requirements in Section 43 – A through D upon execution of the contract.

B. 44 ***Submission of Monthly Invoice***

By the 14th calendar day of the month (or the subsequent business day if the 14th falls on a Saturday, Sunday or holiday), the provider shall submit a detailed invoice (showing billable minutes and rates) to the Administrator [defined in s.427.703(1)] at the contracted price for the previous month's activity. The accounting period used to prepare monthly invoices shall be the calendar month. Payment shall not exceed the prices contained in the contract. The invoice and supporting documentation shall be prepared in such a way as to allow the Administrator or the FPSC to audit the invoice. A copy of the monthly invoice shall be submitted to the contract manager at the same time it is submitted to the Administrator.

RESPONSE

AT&T understands and will comply.

AT&T will submit and provide to the Administrator by the 14th calendar of each month (or the subsequent business day if the 14th falls on a Saturday, Sunday or holiday) a detailed invoice showing billable minutes and rates at the contracted price for the previous month's activity.

All invoice and supporting documentation will be prepared in such a way that it will allow the Administrator or the FPSC to conduct an audit of the invoice. AT&T will also submit a copy of the invoice to the contract manager at the same time as it is submitted to the Administrator.

B. 45 ***Travel***

The Provider will not be entitled to a separate payment from the FPSC or the Administrator for any travel expense which occurs as a result of this contract.

RESPONSE AT&T understands and will comply.

B. 46. ***Reporting Requirements***

The provider shall provide to the Commission's Division of Communications and the Administrator the following written reports by the 25th calendar day of each month reporting data for the previous month. (More frequent or more detailed reports shall also be provided upon request.)

a. Total daily and monthly

i. number of incoming calls (separately stating whether incoming calls originate as Baudot, ASCII or voice calls and also separately stating whether each type of call is English, Spanish or other foreign language calls .) The number of incoming calls which are general assistance calls shall be footnoted on the report

ii. number of incoming call minutes associated with each of the categories of incoming calls in a.i. above

iii. number of outgoing calls (provide two breakdowns of this total: one separately stating completed and incomplete calls, and one separately stating whether calls terminate as Baudot, ASCII or voice calls)

iv. number and percentage of incoming Florida calls received at each relay center handling Florida calls (Total should equal the number of incoming calls in item a.i. above.)

b. Average daily and monthly blockage rate.

c. Range of answer times for the month and daily and monthly number and percent of incoming calls answered within 10 seconds

d. *Total daily and monthly number of outgoing calls (including both completed and incomplete) of the following lengths:*

- *0 - 10 minutes*
- *>10 - 20 minutes*
- *>20 - 30 minutes*
- *>30 - 40 minutes*
- *>40 - 50 minutes*
- *>50 - 60 minutes*
- *>60+ minutes*

Total of d. should equal total of a.iii

e. *On a daily basis for the month, number of outgoing calls and average length of calls by hour of day. (Total should equal total of a.iii.*

f. *Number of outgoing local, intraLATA toll, intrastate interLATA interstate and international calls for the month. (Total should equal total of a.iii.)*

g. *Number of outgoing calls and average length of completed outgoing calls originated by TDD users and voice uses (identified separately). (Total number of calls should equal total in a.iii.)*

h. *The provider shall provide monthly summary reports to the FPSC and the Administrator regarding number of complaints received categorized by topic areas.*

i. *The provider shall report monthly to the FPSC and the Administrator the results of any user evaluations conducted.*

j. *The provider shall report monthly on new subcontractors being used to assist in providing relay service and shall identify the scope of their role in the process and the relationship of the subcontractor to the provider.*

k. *By March 1, the provider shall provide to the Administrator and the contract manager forecasted relay usage figures and costs to the Commission for the upcoming fiscal year (July 1 – June 30).*

The provider shall include information on its capability and willingness to provide ad hoc reports including new information in the bidder's database or new formats for existing information.

RESPONSE

AT&T understands and will comply.

AT&T will provide to the Commission's Division of Communications and the Administrator with the requested reports of the previous month's data by the 25th calendar day of each month.

AT&T can easily provide the requested reports as described in items B.46.a. through B.46.k thanks in part to the sophisticated reporting facilities of the AT&T Relay 2000SM platform and the dedicated team of "TRS Reports Specialists" also known as Database Central. Database Central's primary responsibility is the creation of TRS reports with call volumes and statistics.

AT&T is committed to ensuring accuracy and timeliness in the data we collect and report for the relay services we provide. We exemplify this through our on-going commitment to enhance the technology that supports our data collection and reporting systems as TRS continues to evolve. Our most recent enhancement, AT&T 's Service Automated Reports Generator (SARG), was specifically designed to upgrade, support, and better automate AT&T's data collection, validation, reporting and retention capabilities. Our AT&T Relay 2000SM system is redundant, centralized data repository that contains 140 information fields for each call that is processed by our relay system and holds over 20 million call records.

AT&T will utilize SARG to supply the data necessary to generate Florida Relay Service Monthly Traffic reports.

The combined experience of the SARG team is unsurpassed by none as is their ability and flexibility to provide ad hoc reports to the FPSC upon request. If such reports are not available, AT&T will consult with the Commission and the FPSC to discuss the feasibility of developing a report or identify a solution that satisfies the need and is acceptable to both parties.

Over time, report formats may change due to AT&T's TRS report systems enhancements. If such changes occur, AT&T will notify the Commission to ensure their understanding of new reporting formats to ensure their reporting needs are satisfied.

The Reporting Team manages, supports and maintains the SARG facilities that provide the call statistics and reports to our state customers.

Sample reports can be found in Appendix B. Please note that the sample reports are for illustrative purposes only and may not contain each of the specific reporting requirements outlined in section 46. If AT&T is selected as the relay provider for the state of Florida, we ensure that all reports will be in compliance with the requirements set forth in this section.

B. 47 Liquidated Damages for failure to Initiate Services on time or to Provide contracted services for the Life of the Contract.

Implementation of the Florida Relay Service in a timely matter is essential. Failure by the Provider to implement the service by June 1, 2000 shall be considered a significant and material breach of the Provider's commitment. For every day the service is delayed, the Provider shall pay to the Administrator, for deposit in its operating fund, the sum of $25,000 per day.

Liquidated damages shall accrue in amounts up to the following amounts per day of violation:

- *a. For failure to meet blockage rate or transmission level requirement -- $5,000*
- *b. For failure to meet complaint resolution requirement -- $1,000*
- *c. For failure to provider reports -- $500*
- *d. For failure to provide contracted services for the life of the contract, the FPSC reserves the right to require the payment by the Provider of liquidated damages in an amount commensurate with the duration and extent of the system deficiencies.*

Liquidated damages shall accrue in amounts up to $25,000 per month for failure to meet answer time requirements.

Any liquidated damages may be paid by means of the Administrator deducting the amount of the liquidated damage from a monthly payment to the provider. Such action shall only occur upon order of the FPSC.

RESPONSE

If awarded this contract, AT&T will agree to a liquidated damage provision for a material breach of its commitment to implement service by June 1, 2000, or an appropriate later date if award of the bid is delayed.

Additionally, AT&T has opened many new instate centers and has never failed to meet the start date for commencing service. In fact, there have been instances where the incumbent relay provider has terminated its support of the state before the agreed upon date only to have AT&T ready and willing to begin taking calls and traffic sooner than anticipated.

If awarded this contract, AT&T will agree to a liquidated damage provision for a material breach of its commitment to implement service by June 1, 2000, or an appropriate later date if award of the bid is delayed. AT&T will also agree to the liquidated damage provisions set forth in sub-sections (a), (b), and (c) above. AT&T's agreement is reliant on the explanation of liquidated damages and assessment process explained at the October 14, 1999 bidder's conference. AT&T's agreement is also subject to negotiation of mutually agreeable basic terms and conditions including, where appropriate, notice of deficiency, right to cure, and exception for force majeure acts.

AT&T cannot agree to the broad, undefined and unlimited possibility of liquidated damages contemplated in sub-section (d) above. However, AT&T is willing to negotiate further mutually agreeable liquidated damage provisions based on specifically identified material system deficiencies.

AT&T's agreement to any and all liquidated damages provisions is subject to a total limit of liability in the amount of $1,000,000.

B. 48 ***Transfer to New Provider***

When relay service is transferred to a new provider, the provider shall make every effort to ensure that service is transferred to the new provider so that relay users do not experience an interruption in service. The relay service and consumer service 800 or other telephone numbers shall be made available to the new provider with the new provider paying any costs associated with transferring the numbers to the new provider's use.

RESPONSE AT&T understands and will comply.

AT&T

B. 49 ***Insurance Coverage***

The provider shall provide insurance coverage for itself and all of its employees used in connection with performance of services under this Agreement and ensure that all subcontractors shall be similarly covered. Such policies shall be issued by a financially sound carrier and/or carriers. Such insurance coverage shall hold the FPSC harmless from all claims of bodily injury, including death, and property damage, including loss of use by provider, its employees, agents or subcontractors and their employees. This insurance will include worker's Compensation as required by law and comprehensive general liability and bodily injury insurance in amounts that are commercially reasonable under the give circumstances.

RESPONSE

AT&T agrees to provide and require all subcontractors to provide insurance for its respective liabilities in connection with performance of services. The FPSC shall state what minimum limits of insurance will be required under its commercial general liability and employers liability requirements. Workers Compensation as required by law will be provided.

C. 3 ***Public Entity Crimes Provision***

Pursuant to Section 287.133. Florida Statutes, a person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided for in Florida Statute 287.017 for Category two ($11,000) for a period of 36 months from the date of being placed on the convicted vendor list.

RESPONSE

AT&T understands and will comply.

C. 4 ***Financial Information***

To allow the FPSC to evaluate the financial responsibility of the bidding company, the following items shall be submitted with the proposal for the bidding company (and its parent company, if applicable):

1. *Audited Financial Statements (or a SEC 10K Report) for the most recent two (2) years, including at a minimum:*

   a. *Statement of income and related earnings.*
   b. *cash flow statement*
   c. *balance sheet, and,*
   d. *opinion concerning financial statements from an outside CPA*

2. *Primary Banking Source letter of reference.*

RESPONSE

AT&T understands and will comply.

AT&T's 1998 Annual Report contains at least two years worth of the requested financial data. Please refer to the following pages for: (1) statements of income and related earnings – page 52; (2) cash flow statements – page 55; (3) balance sheets – page 53; and (4) opinions concerning financial statements from an outside CPA – page 51.

The AT&T 1998 Annual Report can be found in Appendix C.

A letter of reference from AT&T's Primary Banking Source can be found in Appendix D. The original document can be found in the binder labeled Original.

C. 5 ***Experience and Customer References***

For each state in which the bidder has or is providing relay service, the bidder shall indicate: (1) when the bidder began operating the system, (2) the number of outgoing calls for the most recent month, and (3) the total duration of the contract. If the bidder's relay service is available for testing by means of a number that can be dialed from within Florida, bidder should provide the telephone numbers that can be used to dial the bidder's relay service.

The bidder shall provide the names of three customer references, including specific contact name and phone number to whom the bidder has provided the bid service or a similar service. If no customer references are available of applicable, explain and provider three alternative references explaining the relationship of the reference to the bidder.

RESPONSE

AT&T understands and will comply.

AT&T is the most experienced provider and a pioneer of Telecommunications Relay Service (TRS) in the industry. Our experience with TRS begin on January 1, 1987, when we opened the first 24 hour/7 day a week/365 days a year relay service in the State of California. And our experience with the deaf and hard of hearing communities started much earlier. In 1980, AT&T began offering Operator Services for the Deaf (OSD), and in 1981, we began giving discounts on long distance calling to certified TTY users.

The following table displays our contracted states, along with the states to whom we have previously provided TRS service. If a relay center is located in the state, the location is provided.

AT&T Telecommunications Relay Contracts

State	Service Establishment Date	Number of Outgoing Calls (September 1999)	Total Duration of Contract
Alabama	08/11/88	51, 082	▪ Total of 12 years ▪ Center in Birmingham, AL ▪ Current Contract: 3/1/97 – 2/28/2000 ▪ Awaiting Rebid decision
California	01/01/87	NA	▪ Total of 4 years ▪ Had center in California ▪ 1/87 – 11/91
Delaware	01/10/91	14, 628	▪ Total of 11 years ▪ Current Contract: 1/1/98 – 12/31/02
District of Columbia	05/06/92	43, 408	▪ Total of 9 years ▪ Center in Washington, DC ▪ Current Contract: 5/5/99 – 5/5/01
Georgia	04/01/91	88, 671	▪ Total of 10 years ▪ Center in Norcross, GA ▪ Current Contract: 4/1/98 – 3/31/01
Illinois	06/10/90	154, 394	▪ Total of 10 years • Current Contract: 2/1/95 – 1/31/00
Kentucky	10/01/91	NA	▪ Total of 7 years ▪ 10/91 – 9/98
Maine	01/01/91	16, 835	▪ Total of 9 years ▪ Tariff
Mississippi	11/01/96	27, 901	▪ Total of 6 years • Current Contract: 11/1/99 – 10/31/02
Montana	04/01/91	NA	▪ Total of 5 years ▪ 4/1/91 – 2/96
New Jersey	12/15/91	96, 343	▪ Total of 8 years • Center in Hamilton Square, NJ ▪ Current Contract: 8/1/97 – 7/31/99
New York	01/01/89	NA	▪ Total of 8 years ▪ Had center in Albany, NY ▪ 1/89 – 6/97
Pennsylvania	09/24/90	148, 185	▪ Total of 9 years ▪ Two Centers: Wayne & New Castle, PA ▪ Tariff

AT&T

AT&T Telecommunications Relay Contracts

State	Service Establishment Date	Number of Outgoing Calls (September 1999)	Total Duration of Contract
Puerto Rico	07/15/93	8, 018	▪ Total of 6 years ▪ Current Contract: 7/15/97 – 7/14/00
Rhode Island	01/01/96	17, 107	▪ Total of 5 years ▪ Center in Providence, RI ▪ Current Contract: 1/1/96 – 12/31/00
Tennessee	09/25/90	68, 698	▪ Total of 11 years ▪ Center in Brentwood, TN ▪ Current Contract: 9/25/98 – 9/24/01
Vermont	07/01/91	29, 481	▪ Total of 9 years ▪ Current Contract: 7/1/98 – 6/30/00
Virgin Islands	07/26/93	601	▪ Total of 7 years ▪ Current Contract: 7/1/96 – 7/1/00
Virginia	02/01/91	118, 730	▪ Total of 9 years ▪ Center in Norton, VA ▪ Current Contract: 6/01/98 – 5/31/00
Washington	6/26/93	NA	▪ Total of 5 years ▪ Center in Seattle, WA ▪ 6/93 – 6/98
West Virginia	08/07/92	15, 238	▪ Total of 10 years ▪ Current Contract: 11/1/98 – 3/31/01

Test Calls

AT&T Relay Service can be tested from within Florida by placing long distance or international calls through the AT&T National Relay Service. If the state chooses to make calls from one Florida location to another, please contact Sue Decker (908-221-8144) for special arrangements. Below are the 800 numbers that the Florida customers can use to place test calls:

1-800-855-2880 TTY
1-800-855-2881 Voice
1-800-855-2882 ASCII
1-800-855-2883 Telebraille

AT&T

Customer References

The following contacts have agreed to act as references for AT&T's Relay Service. They represent three of our sixteen contracted states and jurisdictions.

AT&T would gladly furnish additional references upon request.

CONTRACT	CONTACT NAME	PHONE NUMBER	ADDRESS
Georgia Relay Service	Mr. Ketron Ellison Assistant Director	Tel: (404)656-4536 Fax: (404) 656-0980	Georgia Public Service Commission 47 Trinity Street, S.W. Rm. 621H6 Atlanta, GA 30334
New Jersey Relay Service	Mr. Bruce Gallagher Administrative Analyst	Tel: (973)648-7994 Fax: (973)624-9453	New Jersey Board of Public Utilities Two Gateway Center Newark, NJ 07102
Delaware Relay	Ms. Carole D. Bickerdyke Assistant Manager – Regulatory	Tel: (302)576-5362 Fax: (302)576-1135	Bell Atlantic – Delaware 901 Tatnall Street, 2nd Flr. Wilmington, DE 19801

C. 6 Bid Security Deposit

A bid security deposit in the amount of $500,000 shall be furnished to the FPSC with the original of the proposal. The bid security deposit shall be in the form of a bond, a certified or cashier's check, or bank money order that is valid through at least February 28, 2000 and is payable to the Florida Telecommunications Relay, Inc. The bid security deposit will be held without cashing.

If a bond is used, the bond shall be issued from a reliable surety company acceptable to the FPSC, licensed to do business in the State of Florida and shall be signed by a Florida Licensed Resident Agent. Such a bond shall be accompanied by a duly authenticated power of attorney evidencing that the person executing the bond on behalf of the Surety had the authority to do so on the date of the bond.

The unsuccessful bidders' bid security deposit shall be returned without interest, within thirty (30) days after disqualification, withdrawal or signing of the contract. The unsuccessful bidder's bid security shall be returned, without interest, upon signing of the contract and furnishing the Performance Bond as specified herein. If the successful bidder fails to sign a contract within thirty (30) days after the Letter of Intent or fails to deliver the Performance Bond as specified herein, the bid security shall be forfeited to the Florida Telecommunications Access System Fund.

RESPONSE

AT&T understands and will comply all the requirements from this section.

A Bid Security Bond can be found in Appendix E. The original document can be found in the binder labeled Original.

C. 7 ***Subcontractors***

If the bidder proposes to use subcontractors, the bidder shall identify those subcontractors and indicate the scope of their role in the provision of relay service. The bidder should also indicate what experience the subcontractor has in providing the service for which it would contract with the Provider.

RESPONSE

AT&T does not currently use out-tasking vendors (subcontractors) to provide any portion of TRS. AT&T provides its own facilities, equipment, and employees for every single aspect of the relay service. AT&T reserves the right to use a subcontractor on a need determined basis.

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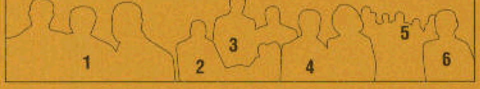


On the cover:

1. Vice President Albert Gore, Kanita D. Sandidge, Clyde P. Jackson at MED Week 1996 **2.** AT&T buyers at the 1988 Chicago Business Trade Fair **3.** G. Winston Smith accepts the "Corporation of the Year" Award from the MD/DC NMSDC **4.** Lourdes Tinajero, and Cristina Caballero, President / CEO, Dialogue on Diversity **5.** Ben Decker, Kanita Sandidge, Harriet Michel, Stephanie McNeil-Bates, Carolyn Odom Steele, and Jackie LaJoie, at the AT&T exhibit during the 1998 NMSC National Conference in Miami, FL. **6.** Donna Chancellor, AT&T Constituency Relations Director.

Business overview

At AT&T we are transforming ourselves from a long distance company to an "any distance" company. From a company that handles mostly voice calls to a company that connects callers to information in any form useful—voice, data and video. From a primarily domestic company to a truly global company.

That is why there has been so much change at AT&T—strategic acquisitions, joint ventures and the accelerated introduction of new technology and services. All this action supports a series of strategic shifts within the company:

From "resale" to "facilities-based" – To deliver the services of the 21st century, AT&T will own or control the facilities we use to reach our customers.

From "narrowband" to "broadband" – The future is a digital, broadband world. Broadband systems transmit data at high speeds that make advanced communications services work. The AT&T long distance network has been broadband for years, but the final connections to most customers are still pairs of copper wires that carry a narrow stream of information – fine for voice calls but too slow for the services in our future.

From "circuits" to "packets" – In the old world of voice telephony, every call ties up a circuit or pathway through the network from one phone to the other. In the new world of the Internet, information – whether sound or data – is broken into separate units called "packets" that are reassembled at the receiving end. With packets, many users can share the same pathway at the same time.

From "local cellular" to "digital wireless leader" – The growth of wireless calling is second only to the growth of the Internet as a driving force in communications. Thus, AT&T continues to expand its nationwide digital wireless network.

From a "domestic company" to a "global communications power" – Our customers, especially multinational companies, need end-to-end global services with consistent quality, price and customer support. That is why we announced our plans for a global joint venture with British Telecom in July and acquired the IBM global network this year.

In 1998, AT&T's acquisition of Teleport Communications Group strengthened our company's local business offerings. And our company's future services offerings will be strengthened by our investment this year in Tele-Communications Inc. (TCI). Presently, the TCI deal enables our local phone service delivery by providing us with broadband connections to consumers. TCI and the joint ventures we announced with Time Warner and TCI affiliates gives us the potential to reach 40% of American homes.

AT&T is also strengthened by diversity. It is the reason why the Supplier Diversity Initiatives are a part of our company's transformation. As AT&T's customer base grows ever diverse with consumers in the United States and expanding markets abroad, supplier diversity just makes good business sense.

CEO message

For more than 30 years, the diversity of our supplier base has been an appreciating asset for AT&T. And as we go into the home stretch of the 20th Century, it's encouraging to look back on the growth of our partnership with women- and minority-owned firms.

AT&T's diversity program began in 1968 with $175,000 in payments to nine minority- and women-owned businesses. In 1994, purchases through the Minority and Women Business Enterprises (MWBE) Program broke the $1 billion mark. Hundreds of MWBE companies were supplying AT&T with products and services.

Over the life of the MWBE Program, we've done more than $10 billion in business with minority- and women-owned enterprises, most of it in the past five years.

Today we're transforming AT&T into the kind of company that will deliver the next generation of communications, information, and entertainment services. Our suppliers are vital partners as we execute that strategy. And the diversity of our suppliers is more important than ever.

Experience has taught us that a diverse base of competitive suppliers gives AT&T strength and flexibility in our markets, enhances our brand, and deepens our relationship with customers and communities.

In return, the MWBE Program provides an opportunity for suppliers to achieve their potential as businesses. This pays dividends in the form of job creation and economic growth in their communities.

Our suppliers practice continuous improvement in their support for AT&T. We do the same thing in our support for diversity, and so last year we:

Appointed one of our key executives — Frank Ianna — as executive champion of supplier diversity.

Pushed ahead with an aggressive program to grow MWBE purchases, with regular reviews by senior management.

Created a diversity advisory council to increase opportunities for current suppliers and develop new ones.

Made a $1 million contribution to help minority suppliers stay competitive in today's market.

And we continue building on our commitment as we move toward the 21st Century. When AT&T went to the financial markets with a historic $8 billion bond offering earlier this year, we were delighted to select the minority-owned investment banking firm of Blaylock & Partners to co-manage that very successful transaction.

Clearly there is no shortage of talented minority- and women-owned businesses in America. We've had a long and productive relationship with them. Through the MWBE Program, we look forward to expanding that relationship in the years ahead.

Mike Armstrong

C. Michael Armstrong
Chairman and CEO
AT&T

AT AT&T, WE BELIEVE THAT SUPPLIER DIVERSITY PROVIDES US WITH A SIGNIFICANT POSITION OF STRENGTH IN WHICH TO PERFORM IN THE MARKETPLACE. WE ARE PROUD OF OUR STRATEGIC ALLIANCES WITH MINORITY- AND WOMEN-OWNED BUSINESSES AND ENTHUSIASTICALLY EMBRACE THE CLEAR VISION AND MISSION WHICH GUIDES OUR DIVERSITY INITIATIVE.

Supplier Diversity policy

OUR MISSION

Minority- and Women-owned Business Enterprises (MWBE) are viewed as a natural part of AT&T's business environment. By creating a differential advantage, MWBE businesses contribute significantly to our business success.

OUR VISION

To grow and expand AT&T's global business by focusing on Minority- and Women-owned Business Enterprises as a value-added strategy that creates a competitive advantage.

CORPORATE POLICY

AT&T's corporate policy underscores the company's commitment to the MWBE Program by stating that maximum opportunity will continually be afforded to minority- and women-owned businesses to participate with us as suppliers, contractors and subcontractors of goods and services. In addition, the policy ensures strict compliance with all regulatory agency requirements as well as with federal, state and local procurement regulations and programs.

DEFINITION OF MWBE

AT&T's Supplier Diversity Program includes Minority-owned Business Enterprises (MBE), Women-owned Business Enterprises (WBE), and Service Disabled Veteran (SDV) businesses.

Businesses eligible for MWBE status must be at least 51% owned, controlled and operated by men and/or women who are:

African American
Asian American
Hasidic Jew (New York only)
Hispanic American
Native American
Non-minority women

SALUTING THE PAST—A 30 YEAR TIMELINE OF SUPPLIER DIVERSITY

1968 AT&T's first minority business trade fair.

1989 AT&T signs its largest contract with a minority business.

Saluting the past

1988 The First MWBE Annual Report.

1968

AT&T holds its first minority business trade fair. Held at the company's Hawthorne Works facility outside of Chicago, IL. AT&T reports $175,000 spent with nine minority suppliers for 1968.

1970s

Formative years for the Minority Business Enterprises (MBE) Program. Spending was tracked and program was internally focused.

1984

AT&T acknowledges the contributions of women business owners by expanding the MBE Program. Name is changed to Minority Women Business Enterprises (MWBE).

1988

The first annual report for the AT&T MWBE Program is created. Expanded focus on external activities and organizations to support the MWBE Program.

1989

AT&T awards a $12 million contract to Network Solutions, Inc. in support of the Federal Telecommunications Services 2000 (FTS2000) Program. It is the largest AT&T contract ever awarded to a minority business.

1992

MWBE Program is expanded to include Service Disabled Veterans.

A toll free number for the MWBE Program is introduced.

1994

Within one year AT&T spends a record high of $1 billion with minority- and women-owned business enterprises. AT&T also establishes the MWBE Global Operations (GO) Team to shift the program's focus from procurement to business unit driven.

1996 AT&T receives the Distinguished Corporate Award from the U.S. Dept. of Commerce.

1998 AT&T Chairman, C. Michael Armstrong announces the Chairman's Initiative for Supplier Diversity.

1994 AT&T establishes the MWBE GO Team.

1995

AT&T broke its record of purchasing from MWBE suppliers. With a high of $1.5 billion spent on goods and services from minority- and women-owned businesses, AT&T's program goals set for five years were achieved in less than two years.

1996

An announcement is made that AT&T will divide into three new companies. Although significantly smaller, AT&T again spends $1 billion with MWBE businesses within a single year—despite the restructuring.

For its commitment to supplier diversity, AT&T receives the prestigious 1996 Distinguished Corporate Award from the U.S. Department of Commerce Minority Business Development Agency.

AT&T's MWBE Program director is named National Minority Supplier Development Council's (NMSDC) MBE Coordinator of the Year.

1997

AT&T participates in NMSDC's Corporate Plus Program.

1998

AT&T Chairman and CEO, C. Michael Armstrong, announces the Chairman's Initiatives for Supplier Diversity.

Supplier Diversity Web site is launched.
http://www.att.com/supplier_diversity

1998 year in review

As executive champion of Supplier Diversity, I understand the value of diversity and its critical role in AT&T's success. It allows us to add new perspectives and ideas to our business solutions. To grow our global business and shareholder value, we must understand and meet the needs of our diverse customer base and develop a diverse employee base.

The Supplier Diversity Program is a shining example of how AT&T incorporates diversity into our culture and our business. MWBE businesses support AT&T Network Services by providing infrastructure, products, and services for our central offices. And in the Information Technology arena, they develop and support network operations systems to monitor the network and issue alarms on network conditions. By working with top-notch suppliers—such as the ones in the Supplier Diversity Program—we continue to delight our customers and shareholders each and every day.

As a member of the AT&T MWBE Leadership Team, I pledge my continued commitment to keeping AT&T "best in class" in supplier diversity. We want to and *can* achieve best-in-class cost and quality status by utilizing the Supplier Diversity Program. To achieve this status, we will remain focused on our team's mission:

- To cascade our MWBE goals throughout AT&T.
- To implement MWBE business development strategies in each of our business units.
- And to be the change agents that make the process work.

I approach my role of executive champion for Supplier Diversity with the same discipline and tenacity I apply to running the AT&T network. Along the way, I have the honor of working side-by-side with many of the people who spent three decades making AT&T's Supplier Diversity Program the outstanding success it is today. Based on the teamwork and dedication I see among these people, we'll remain in the forefront of Supplier Diversity.

Frank Ianna
Executive Champion
Supplier Diversity

"This is an extraordinary day for the NMSDC network and for minority-owned businesses as a whole. It's as though we've been re-energized. AT&T's commitment to infuse the BCF with new capital and to expand training opportunities for minority entrepreneurs seeking greater access to high-tech industries is an important wake-up call to other corporations to recognize the significance of these businesses to our nation's economic well being. For there is no doubt, when all segments of our society are empowered economically, then we all win."

Harriet Michel, President, National Minority Supplier Development Council
July 10, 1998

Chairman's initiative

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL BUSINESS CONSORTIUM FUND

AT&T recognizes that lack of capital has thwarted the success of many minority-owned businesses. Our company took a proactive stance in 1998 when we announced that AT&T would contribute $1.2 million to the National Minority Supplier Development Council (NMSDC), and the NMSDC's Business Consortium Fund (BCF). AT&T contributed $1 million to the BCF for working capital loans and $200,000 for the minority business executive program development at the J.L. Kellogg Graduate School of Management at Northwestern University.

The NMSDC provides a direct link between corporate America and minority businesses. The organization was chartered in 1972 to increase procurement and business opportunities for minority businesses of all sizes.

The BCF provides contract financing to NMSDC certified minority businesses across America through a network of local participating banks and NMSDC affiliates.

AT&T'S SUPPLIER DIVERSITY ADVISORY COUNCIL

Reaffirming AT&T's commitment to provide leadership, access and opportunity for the development and growth of minority- and women-owned businesses, our company established the AT&T Supplier Diversity Advisory Council (SDAC). Comprised of an expert council of suppliers and officials from government and advisory organizations, the AT&T SDAC assists our company in expanding our supplier diversity reach and increasing business opportunities for minority- and women-owned business enterprises.

The areas of focus for the Supplier Diversity Advisory Council are:

Procurement Impact
Business Development
Outreach and Communication

"AT&T is reaffirming its commitment to provide leadership, access, and opportunity for development and growth for minority-owned businesses, which began 30 years ago,"

Frank Ianna, Leadership Team Champion

Celebrating 30 years

Gelly Borromeo, President, Asian Business Ventures, (left) and Darlene Mar, Executive Director, Greenlining Institute, talk with AT&T's Frank Ianna.

AT&T Executive VP Frank Ianna (center) presents a $1 million check to NMSDC President Harriet Michel (2nd from L). Looking on are (L to R) Kanita Sandidge, former Director, AT&T Supplier Diversity; Marcial Robiou, President, Business Consortium Fund and AT&T Foundation President Esther Silver-Parker.

For the past 30 years, AT&T has recognized diversity for what it is—a competitive advantage. To applaud our company's diversity gains, more than 150 businesses gathered this June in Basking Ridge, NJ for a historic event to commemorate the 30th Anniversary of AT&T's Supplier Diversity Program. The celebration honored MWBE suppliers, advocacy group leaders and AT&T associates who have upheld AT&T's commitment to excellence in Supplier Diversity.

Supplier Diversity has become even more important to AT&T since the days when we held our first minority trade fair back in 1968. AT&T expanded its program to include non-minority women-owned businesses in 1984 and businesses owned by service disabled veterans in 1992. Over the life of the program, AT&T has purchased nearly $10 billion in goods and services from diverse suppliers.

AT&T's successful relationships with MWBE businesses resulted in our announcement this year of a $1.2 million contribution to the National Minority Supplier Development Council (NMSDC) and the NMSDC's Business Consortium Fund (BCF). The funds are specifically earmarked to assist minority-owned companies with needed capital and training to expand their high-tech operations.

AT&T also announced plans to establish the AT&T Supplier Diversity Advisory Council, (SDAC), a council of external suppliers and representatives of business organizations who will provide advice to our corporation on ways to expand supplier diversity, increase opportunities for current suppliers, and develop new suppliers.

The AT&T 30th Anniversary celebration included a panel discussion on "Partnering for Success" and a luncheon which paired AT&T Supplier Management Division and business unit representatives with MWBE suppliers. Awards and recognition of achievements for significant accomplishments throughout the year were also presented. Special citations were given to four internal business units for their tireless commitment to Supplier Diversity:

CFO MWBE Team

Global Real Estate Team

California Supplier Diversity Council

The Business Customer Care Voice Maintenance and Provisioning Team

1998 AT&T SUPPLIER DIVERSITY SPECTRUM AWARDS

During this year's 30th Anniversary Celebration, AT&T acknowledged the contributions of MWBE suppliers who have provided and continue to provide a broad spectrum of services to our customers. To distinguish the suppliers who share in our company's commitment to excellence, we created the AT&T Supplier Diversity Spectrum Award in 1998. Award categories include Longevity, Innovation and Advocacy.

MWBE suppliers network with AT&T associates during the 30th Anniversary Celebration luncheon.

Harriet Michel, President, NMSDC, delivers keynote address.

John Lopez, Chairman, Association for Service Disabled Veterans, talks with Frank Ianna, AT&T Executive VP and Fred Lona, AT&T Supplier Diversity Manager.

Maurice Tosé, President, Telecommunications Systems, Inc. participates in panel discussion.

Donna Chancellor, AT&T Constituency Relations Director, (right) with (L to R) Phillis Hill-Slater, and Julie Weeks, Research Director, National Foundation Women Business Owners.

UniWorld Group, Inc.
Byron Lewis

Concepts Office Furnishings
Aida DeSota

Software House International
Gunawan Suliawan

Minority Business News
Don McKneely

The first award, the AT&T Supplier Diversity Spectrum Award for Longevity, was bestowed upon one of the nations largest African American-owned advertising agencies, UniWorld Group Inc. Founded by Byron Lewis, UniWorld has provided AT&T with a full range of advertising, marketing, public relations, broadcast and communications services for more than two decades.

AT&T's second award for Longevity was presented to Concepts Office Furnishings. Started in New York City 25 years ago by Aida DeSoto, Concepts Office Furnishings has consistently presented a quality product line and on-time delivery for AT&T over a 20-year period. During this time, DeSoto's original staff of three has grown to more than 40 employees with revenues exceeding $10 million annually.

The AT&T Supplier Diversity Spectrum Award for Innovation went to Software House International. Since 1994, Gunawan Suliawan has provided software for AT&T. A true innovator, Suliawan added an array of services to his company such as help desk support, product training, applications development and consulting services. These innovations have allowed Software House International to carry one of the broadest product lines in the industry with more than 20,000 products available for next day delivery.

Dallas-based *Minority Business News* was the recipient of the AT&T Supplier Diversity Spectrum Award for Advocacy. Founded by Don McKneely, president of Texcorp Communications, Inc., *Minority Business News* has been a commanding and convincing voice while serving to inform and influence entrepreneurs and suppliers. Recognizing and highlighting corporate diversity outreach initiatives, *Minority Business News* recently celebrated its 10th anniversary.

AT&T commends all of the outstanding MWBE suppliers who have supported us in providing quality products and services to our customers and who have demonstrated excellence at its best during 1998.

As our globally competitive company increases its telecommunications services, our marketplace recognition will be enhanced by companies who bring a unique perspective. What is noteworthy about the following six companies is that they have been on an unceasing quest for continuous improvement. And it is this dedication...this recycling of commitment—the supplier's commitment to providing innovative and quality services—that AT&T values.

Successful partnering

Corpora Travel Consultants
Yolanda Cheung

Transportation Management Associates
Sherry McCulloh

Howard Press
Scott B. Porter

FIRST CLASS SERVICE

Corpora Travel Consultants, a franchisee of Carlson Wagonlit Travel, has worked with AT&T since 1990. During that time, Corpora Travel provided AT&T with ticket delivery services. Proving itself efficient, the company soon became a full service AT&T travel provider for the state of California. This increase in responsibilities allowed Yolanda Cheung, Corpora Travel's president, to gain corporate travel account experience for her company and expand its staffing.

In 1998 AT&T consolidated its corporate travel program into one designated travel agency which impacted travel services in California. Rising to the challenge of this reorganization, Corpora Travel met the requirements to become an American Express affiliate office while providing AT&T with uninterrupted "first class" service.

RELIABILITY AND RESPONSIVENESS

Owned and operated by Sherry McCulloh, Transportation Management Associates (TMA) is a full service logistics company based in Mocksville, NC. TMA was first contracted to facilitate AT&T's cargo damage claims and to provide pre-audit review of freight bills on behalf of the AT&T Transportation organization in 1994. Today, because of its demonstrated reliability and responsiveness, TMA's logistic expertise is called upon when an undertaking demands coordinated movement of truck traffic and for large and time sensitive projects.

TMA was recently called upon to deploy prepaid cards for the AT&T Pre-Paid Card organization. Coordinating tasks with AT&T's business unit personnel, TMA compiled delivery points and timetables, and procured and scheduled over 50 trucks for the pick-up and delivery of AT&T prepaid cards to hundreds of Wal-Mart and Sam's Club locations. TMA's coordination of logistics proved to be a major success for AT&T in the retail market.

HIGH STANDARDS

In the commercial printing industry ISO9002 certification is a commendation that implies that the commercial printer conforms to international standards that measure quality as a process. Not many commercial printers receive this certification, but Howard Press is among this distinct group. Founded in 1970 by Scott Porter, New Jersey-based Howard Press has grown from a three person operation to a company with more than 350 employees in eight plants serving the metropolitan New York, New Jersey, Philadelphia and Atlanta areas.

Late this year, Howard Press partnered with AT&T's Supplier Management Division to develop an extranet site that provides AT&T employees with the ability to order personalized business cards, letterhead and other stationery via a secured Web site. Instrumental in planning the system architecture and programming, Howard Press will have an ongoing role in hosting and maintaining the server and site.

Alert Staffing
Victoria Lowe

Washington Cable Supply
William & Beverly Parker

Zgroup Design, Inc.
Chris & Harry González

INNOVATIVE SOLUTIONS

In June 1998, AT&T's Supplier Management Division began working with Victoria Lowe, owner of Alert Staffing. Through a company acquisition, Alert Staffing had become AT&T's new supplier for the procurement of various management and occupational temporary services. Lowe's vision for innovative staffing solutions became quickly apparent during the transitional period as Alert Staffing sought to help minimize the impact on AT&T's end users.

In business for less than five years, Alert Staffing, which began in Lowe's living room with one unpaid employee, is now a multi-million dollar company with offices around the country. Lowe's commitment to customer satisfaction and her emphasis on utilizing highly trained professionals to build a diverse, contingent workforce has resulted in increased business from AT&T.

A STEP ABOVE

AT&T recognized Beverly and William Parkers' willingness to take an extra step in 1994 when they were asked to bid on a sizable AT&T contract to procure and cut cable reels. The Parkers, owners of Washington Cable Supply Incorporated (WCSI), not only met their three day deadline, but the business couple boarded a plane for Dallas to make a personal presentation. The result of that meeting—they got the job.

The Parkers have since taken numerous steps in their efforts to provide value-added service. Twelve years ago, WCSI was a distributor of custom-cut cable. Today the Lanham, MD operation distributes, warehouses and supplies custom-cut and fiber optic cable. WCSI has locations in Bessemer, AL and soon in Haverhill, MA.

Boasting state-of-the-art facilities with equipment possessing the capacity to cut a million feet of cable per day, WCSI's efficiency is helping AT&T build a highly developed, cost-effective telecommunications network.

CREATIVE CONCEPTS

Started by Chris and Harry González, the Zgroup Design Inc.'s impressive, award winning graphics can be seen in many of AT&T's communications materials—from magazines and journals to annual reports and newsletters. Offering individualized graphic design and communications services, Zgroup has been developing creative concepts for AT&T since 1993.

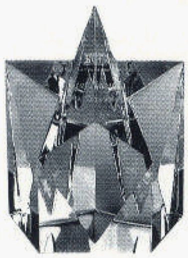
A boutique agency with six employees, Zgroup has consistently demonstrated flexibility and a hands-on approach to doing business. AT&T supports Zgroup not only because of its cost conscious, high-quality design services, but due to the company's commitment to developing and delivering an engaging product.

Zgroup's conceptual abilities in conveying images of the diverse communities AT&T serves has resulted in targeted and stylistic publications, such as VISIONS (The AT&T Journal of Business Strategy), Making Connections (The 1994-1995 Annual Report on AT&T Community Involvement), and the AT&T Foundation's 10th Anniversary Annual Report.

1998 AWARDS AND RECOGNITION

WE ARE PROUD TO SAY THAT IN 1998 AT&T'S SUPPLIER DIVERSITY PROGRAM HAS BEEN RECOGNIZED BY SEVERAL MINORITY BUSINESS ADVOCACY ORGANIZATIONS. THIS RECOGNITION FURTHER ILLUSTRATES THE COMMITMENT OF AT&T AND ITS ASSOCIATES TO DEVELOPING ALLIANCES WITH MINORITY BUSINESS ORGANIZATIONS AND PROMOTING SUPPLIER DIVERSITY.

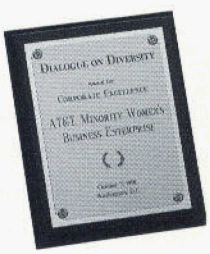
Awards and recognition



PRESIDENT'S STAR AWARD

The President's Star Award recognizes corporations, certified bank lenders and regional councils that have promoted, utilized and furthered the NMSDC's Business Consortium Fund's mission to increase access to capital to certified minority businesses. The Award was presented to AT&T during the NMSDC's Conference in Miami, FL.

Since its inception in 1987, the BCF has loaned $134.5 million to 583 certified MBE suppliers.



CORPORATE EXCELLENCE AWARD

AT&T was the recipient of the Dialogue on Diversity, Corporate Excellence Award.
Dialogue on Diversity is a non-profit educational organization concerned with promoting constructive dialogue among business and professional women from America's many ethnic and cultural communities. Dialogue on Diversity especially emphasizes economic viability as a key means for women's assertion of their worth and influence in their communities. The United States Capitol was the site of the awards presentation, which was attended by business owners and members of Congress.

"1999 CORPORATION OF THE YEAR" CITATION

The Maryland/District of Columbia Minority Supplier Development Council (MD/DC MSDC) named AT&T its "1998 Corporation of the Year." The award recognizes a member corporation that has distinguished itself by dollars spent with Council MBE suppliers, corporate involvement with the Council, innovative approaches to utilizing minority businesses, and mentoring and teaming efforts. The MD/DC MSDC is a regional affiliate of the NMSDC.

UNSUNG HERO AWARD

AT&T Supplier Diversity Manager, Stephanie McNeil-Bates, was recognized by the MD/DC MSDC for her contributions to and support of the activities of the Council for 1998.

AT&T'S NATIONAL OUTREACH INITIATIVES AND SUPPORT OF THE FOLLOWING MWBE EVENTS HAVE HELPED US ACHIEVE OUR GOAL OF EXPANDING OPPORTUNITIES FOR MWBE SUPPLIERS. WE ACKNOWLEDGE ALL OF THE COMPANY'S NATIONAL OUTREACH EFFORTS AND THE NUMEROUS MINORITY, WOMEN AND SERVICE DISABLED VETERANS CONFERENCES, TRADE FAIRS, EXPOS AND SEMINARS THAT HAVE SERVED AS NETWORKING VENUES FOR AT&T SUPPLIER DIVERSITY.

Outreach initiatives

1998 Outreach Activities Supported by AT&T Supplier Diversity

Hispanic CEO Roundtable
Women Inc. Annual Conference
National Minority Enterprise Development (MED) Week Conference
National Federation of Black Women Business Owners Annual Awards
31st Annual Chicago Business Opportunity Fair
Southern California Regional Purchasing Council 29th Minority Business Trade Fair
MD/DC Minority Supplier Development Council Business Opportunity Fair
Service Disabled Veteran Business Enterprise (DVBE) Opportunity Fairs
National Association of Women Business Owners Annual Conference
Reservations Economic Summit & Trade Fair
Black Enterprise Entrepreneurs Conference
National Minority Supplier Development Council Leadership Awards Dinner
New York/New Jersey Minority Purchasing Council Expo '98
U.S. Hispanic Chamber of Commerce Annual Conference
National Minority Supplier Development Council Annual Conference
California Black Chamber of Commerce Statewide Entrepreneur Seminars
National Minority Business Council's 18th Annual Business Awards Luncheon
NAACP Convention
National Urban League Annual Convention

AT&T recognizes the local input of the regional supplier councils and the commitment each council has put forth to furthering the advancement of Minority Businesses. AT&T is an active and proud corporate supporter of the following councils:

National Minority Supplier Development Council Affiliates

Grand Canyon Minority Supplier Development Council
Carolinas Minority Supplier Development Council
Chicago Minority Business Development Council
Cincinnati Minority Supplier Development Council
Michigan Minority Business Development Council
Wisconsin Supplier Development Council, Inc.
Northern California Supplier Development Council, Inc.
Southern California Minority Purchasing Council
Delaware Valley Minority Business Resource Council
Rocky Mountain (CO) Minority Supplier Development Council
Columbus Regional Minority Purchasing Council
Dallas/Ft. Worth Minority Business Development Council
Georgia Minority Supplier Development Council
Maryland/District of Columbia Minority Supplier Development Council
Florida Regional Minority Purchasing Council (Miami)
New England Minority Purchasing Council
New York/New Jersey Minority Purchasing Council
Northwest Minority Supplier Development Council
Tennessee Minority Supplier Development Council
Virginia Regional Minority Supplier Development Council
Connecticut Minority Supplier Development Council
Pittsburgh Regional Minority Purchasing Council
Houston Minority Business Council
National Minority Supplier Development Counsil of Florida, Inc. (Orlando)

AT&T Support also Extends to the Following Organizations

The National Center for American Indian Enterprise
Asian Business Association
National Association of Women Business Owners
Latin American Business Association
California Black Chamber of Commerce
National Association of Service Disabled Veterans
Minority Business Development Agency
Greenlining Institute
National Association of Purchasing Managers Minority Business Development Group
TRY US
U.S. Hispanic Chamber of Commerce
New Jersey Board of Public Utilities Supplier Diversity Development Council
Latin American Business Association

HISTORY OF SUPPLIER DIVERSITY

A. *1984 – Added non-minority women-owned businesses to program.*
B. *1996 – AT&T split into three companies.*
C. *1998 – AT&T sold AT&T Universal Card, AT&T Solutions Customer Care, and AT&T Submarine Systems.*

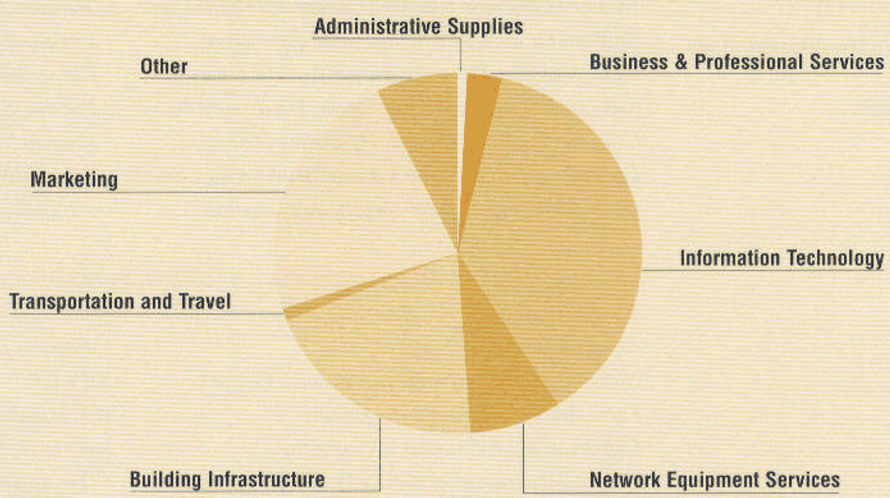
1998 CALIFORNIA SUPPLIER DIVERSITY RESULTS
In millions

MBE	WBE	SDV	MWSDVBE
$98.7	$15.5	$0.4	$114.6

AT&T SUPPLIER DIVERSITY RESULTS BY ETHNIC GROUPS
In millions

African American	$ 94.0
Hispanic	92.4
Asian Pacific	144.8
Asian Indian	97.2
Native American	5.2
Non-minority Women	457.6
Total	**$891.2**

1998 SUPPLIER DIVERSITY RESULTS BY SUPPLY TEAM
Total $891,238,740



SUPPLIER DIVERSITY LEADERSHIP TEAM AND MANAGEMENT

Our company's MWBE Leadership Team is an executive team that represents business units and divisions of AT&T. The role of the team members includes identifying and recommending strategies for increasing the use of MWBE suppliers within their specific business units. This encompasses the establishment of goals and driving results, providing support systems, human and financial resources, and employee communications and recognition.

Leadership team

1998 MWBE LEADERSHIP TEAM

Frank Ianna
Leadership Team Champion
President, AT&T Network Services

Mark Stabler
Business Markets

Ginger Stillman
Corporate Strategy

Stephanie Hauge
Finance

Lee Pettit and Jane Biba
Public Relations

Mike Dacey
Legal Counsel

Yvonne Shepard
Consumer Markets

Dan Chappelle
AT&T Wireless Services

Alan Abrahamson
Global Real Estate

Joe Lakatos and Carol Thompson
Law & Government Affairs

Roger Green and Tim Omaggio
Brand Strategy

Diana Leonard
Network Computing Services

Siiri Sloat
AT&T Solutions

Linda Charles and Linda Merritt
Human Resources

Gary Doran
AT&T Foundation

Debbie Bell, Kanita Sandidge and Winston Smith
Supplier Management Division

AT&T SUPPLIER DIVERSITY STAFF (1998)

Kanita D. Sandidge *Jan – Oct. 1998*
Director

Ruthann Berry
National Outreach Manager

Fred Lona
Supplier Diversity Manager
California Initiatives

Sharon T. Garrett
MWBE Administration

Primo Ramos
California Initiatives

G. Winston Smith *Oct. 1998 -*
Director

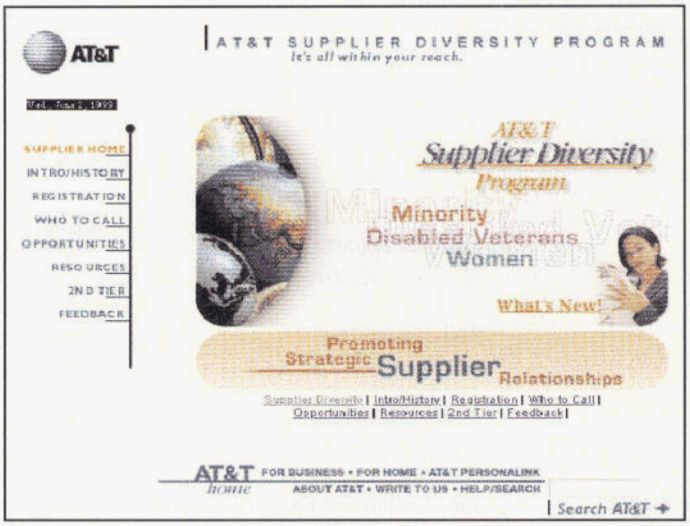
Jackie LaJoie
Results Manager

Stephanie McNeil-Bates
Supplier Diversity Manager
Government Markets

Marilyn Drake
Secretary

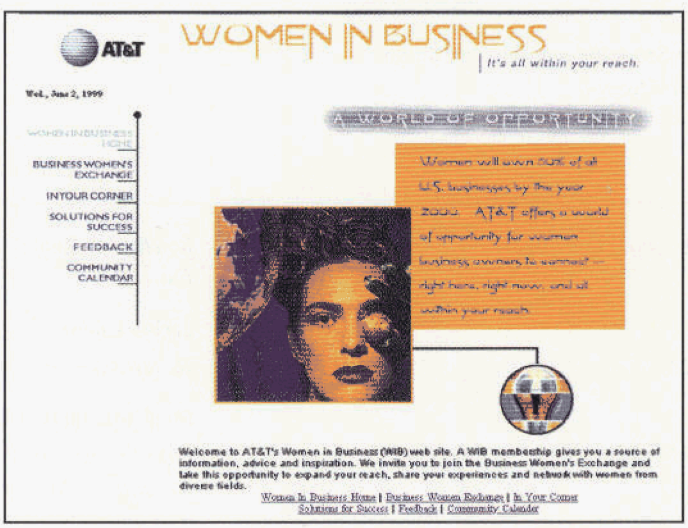
AT&T'S DIRECT LINK—THE WORLD WIDE WEB

AT AT&T WE ARE DEDICATED TO PROVIDING INFORMATION AND ADVICE THAT WILL ASSIST MWBE BUSINESSES DEVELOP SUPPLIER RELATIONSHIPS WITHIN OUR COMPANY. THE LAUNCH OF OUR "SUPPLIER DIVERSITY PROGRAM" AND "WOMEN IN BUSINESS" (WIB) WEB SITES IS ANOTHER EXTENSION OF OUR OUTREACH EFFORTS. WITH CURRENT TRENDS STATING THAT MINORITY- AND WOMEN-OWNED COMPANIES WILL COMPRISE 50% OF ALL BUSINESSES BY THE YEAR 2000, AT&T IS POSITIONING ITSELF VIA THE WORLD WIDE WEB AS A DESTINATION WHERE MWBE COMPANIES CAN OBTAIN FREE BUSINESS ADVICE FROM EXPERTS, REVIEW CURRENT INDUSTRY STUDIES AND MARKET RESEARCH, AND LEARN OF SUPPLIER OPPORTUNITIES.



"Promoting Strategic Supplier Relationships" is our motto at the "AT&T Supplier Diversity Program" Web site. A simplified but comprehensive approach is used for getting information at this address. Categories include Registration, Who To Call and Resources. (http://www.att.com/supplier_diversity/).

AT&T's business sites are updated and enhanced on an ongoing basis. Information on our company can also be obtained on our home page (http://www.att.com).



A click to AT&T's "Women In Business" (http://www.att.com/wib/) Web site reveals categories such as Solutions for Success, Business Women's Exchange and Community Calendar. An offering for a free WIB membership yields rebates and gifts. From the latest communications technology to tips on ways women can take their businesses global, the WIB site serves as a global venue to help women expand their reach, share experiences and network with women from diverse fields.

AT&T

295 North Maple Avenue, Basking Ridge, NJ 07920

1-800-322-MWBE

www.att.com/supplier_diversity/

FLORIDA RELAY SERVICE
1999 Year-to-Date Traffic Report

PERFORMANCE DATA	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD
Calls (Total Calls)													
TTY													
VOICE													
Sequence													
Abandons (not incl. in total)													
TOTAL CALLS													
Percentage of Calls													
%TTY													
%Voice													
%Sequence													
Calls Types (Total Calls)													
VCO													
HCO													
Minutes Carried													
TOTAL CALL MINUTES													
Completed Calls													
Intrastate													
Intrastate 800 Calls													
Total Intrastate Calls													
Interstate-Out													
Interstate-In													
Interstate 800 Calls													
State to State													
International Inbound													
International Outbound													
Calls to Canada													
TOTAL COMPLETED CALLS													
Completed Minutes													
Intrastate-Billable													
Interstate													
International Inbound													
International Outbound													
Canada													
TOTAL COMPLETED MIN.													
Completed Calls Carried (Time of Day)													
8AM to 5PM													
5PM to 11PM													
11PM to 8AM													

FLORIDA RELAY SERVICE
1999 Year-to-Date Traffic Report

PERFORMANCE DATA	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD
Completed Calls (Length by Minutes)													
0-2 Minutes													
2-4 Minutes													
4-6 Minutes													
6-8 Minutes													
8-10 Minutes													
10-20 Minutes													
20-30 Minutes													
30-40 Minutes													
40-50 Minutes													
50+ Minutes													
Average Length in Sec. (Completed Calls)													
8AM to 5PM													
5PM to 11PM													
11PM to 8AM													
Answer Performance (Total Calls)													
Avg. Spd. Ans. (Sec)													
% Calls Ans. In 10 Sec.													
% Calls Ans. In 30 Sec.													
% Calls Ans. In 45 Sec.													
% Calls Ans. In 60 Sec.													
CA Performance (Total Calls)													
Avg. Work Time (AWT in Min)													
Avg. Call Duration (in Min)													
Customer Contacts													
Inquiries													
Complaints													
Commendations													
% Calls Receive Busy/RO													
Actual Call													
Service Recoveries													
Number													
Calls Carried/Other Cntrs.													
Number of Calls Blocked													

FLORIDA RELAY SERVICE
NEXT AVAILABLE ASSISTANT TRAFFIC REPORT
OCTOBER 1999

PERFORMANCE DATA	RI	AL	DC	GA	NJ	PA1	PA2	TN	TOTALS
Calls									
TTY									
Voice									
Total Calls									
Call Distribution Percent									

Performance Data Reflects: Relay Total Calls/Minutes carried via the noted AT&T TRS Center.
RI = Total Calls/Minutes carried via the AT&T National Relay Center, Providence, Rhode Island
AL = Total Calls/Minutes carried via the Alabama Relay Center
DC = Total Calls/Minutes carried via the DC Relay Center
GA = Total Calls/Minutes carried via the Georgia Relay Center
NJ = Total Calls/Minutes carried via the New Jersey Relay Center
PA1 = Total Calls/Minutes carried via the Pennsylvania Relay Center
PA2 = Total Calls/Minutes carried via the AT&T National Relay Center, New Castle, Pennsylvania
TN = Total Calls/Minutes carried via the Tennessee Relay Center

CALL DISTRIBUTION = % of Florida Relay Service calls carried via the noted State Relay Center (NAA and S/R).

FLORIDA RELAY SERVICE
Customer Contact Report
JUNE 2000

I. COMMENDATIONS	**VOICE**	**TTY**	**TOTAL**
CA/OPR RELATED			
RELAY/OSD RELATED			
OTHER			
TOTAL COMMENDATIONS			
II. COMPLAINTS	**VOICE**	**TTY**	**TOTAL**
CA/OPR RELATED			
ATTITUDE AND MANNER			
TYPING SKILL/SPEED			
ENGLISH/GRAMMAR			
CA HUNG UP ON ME			
OTHER			
EQUIPMENT			
DISCONNECT			
ANSWER/WAIT TIME			
GARBLED WORDS			
OTHER			
METHODS RELATED			
MISCELLANEOUS			
BILLING/RATE			
SCOPE OF SERVICE			
OTHER			
TOTAL COMPLAINTS			
III. INQUIRIES/COMMENTS	**VOICE**	**TTY**	**TOTAL**
GENERAL INFORMATION			
OUTREACH/MARKETING			
EXPLAIN RELAY			
TTY DISTRIBUTION/PURCHASE			
LEC SERVICE			
BILLING/RATE			
COMPUTER SETTINGS			
TECHNICAL RELATED			
OTHER			
TOTAL INQUIRIES/COMMENTS			
GRAND TOTAL			

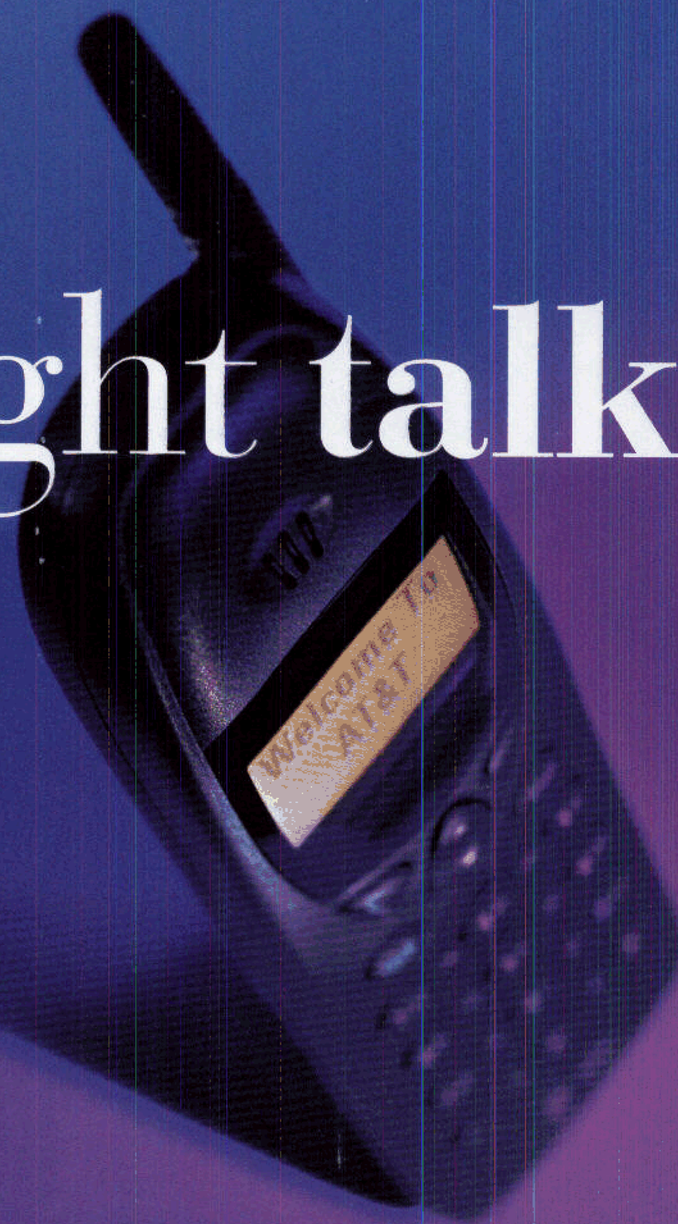
FLORIDA RELAY SERVICE
Customer Contact Report
JUNE 2000

COMMENDATIONS
Descriptions of Commendations

COMPLAINTS
Descriptions of Complaints

INQUIRIES/COMMENTS
Description of Inquiries/Comments

Straight talk



AT&T Annual Report 1998

We've **accomplished** a lot...

In 1998 we resolved to:

- Make our company more competitive
- Invest for growth

Skeptics scoffed, saying it couldn't be done. But as the year unfolded, we cleared one hurdle after another; redesigning our strategy, taking $1.6 billion out of our costs, laying the plans to invest over $70 billion in the company's future and redefining our services and products. In the process, our alliances, offers and technology transformed the communications industry.

Our style was to move forward, keep promises, hit our targets. But it was straight talk and swift action with our customers that got results. The numbers tell our story.

In one year

$10 billion

AT&T and BT join forces to create a global venture that will support the communications needs of people and businesses around the world. Revenues for the first full year are expected to exceed $10 billion.

$11.3 billion

An $11.3 billion merger agreement with Teleport Communications Group speeds AT&T's entry into the local business market.

$48 billion

A $48 billion merger agreement with Tele-Communications Inc. promises eventual broadband-cable access to one third of U.S. homes.

Invest to Grow

Cut Costs

$10.8 billion

The sale of Universal Card Services, LIN TV, SmarTone Telecommunications and AT&T Solutions Customer Care yields $10.8 billion and refocuses the company on its core strategy.

20,000

About 20,000 fewer employees are on the rolls at year's end, including more than 15,000 managers who accepted a voluntary-retirement offer.

Table of Contents:

Invest to Grow

625,000

A $1.5 billion merger agreement with Vanguard Cellular Systems extends AT&T's wireless footprint in the Eastern United States to serve 625,000 new customers.

$5 billion

The $5 billion acquisition of IBM's global data network boosts our ability to serve global customers and creates a record-setting outsourcing contract for AT&T Solutions to manage IBM's global networking.

$8 billion

AT&T invests $8 billion in capital expenditures, including improvements in the network, local and wireless.

Cut Costs

$1.6 billion

Cost reductions across the company slash $1.6 billion from the year's selling, general and administrative expenses, which drop from 28.4 percent of revenues in 1997 to 22.5 percent by the end of 1998.

46%

Keeping promises to cut costs and invest for growth, AT&T increases operational earnings per share by 46 percent over 1997.

And there's **more** to come.

Dear Shareowners:
As this annual report goes to press, the definition of a new AT&T is well under way.

We're transforming AT&T from a long distance company to an "any-distance" company. From a company that handles mostly voice calls to a company that connects you to information in any form that is useful to you – voice, data and video. From a primarily domestic company to a truly global company.

We have an unprecedented opportunity to expand what we can do for customers and grow the value of your investment in AT&T. But it won't be business as usual.

That's why you've seen so much change in AT&T – strategic acquisitions, joint ventures and the accelerated introduction of new technology and services.

All this action supports a series of strategic shifts within the company:

From "resale" to "facilities-based" – To deliver the services of the 21st century, we will own or control the facilities we use to reach our customers. We can't depend on just reselling the connections of other companies, especially when those companies are often our competitors. We need to use our own facilities (what the engineers call "controlling the architecture") to ensure our quality of service and control of costs.

From "narrowband" to "broadband" – The future is a digital, broadband world. Broadband systems transmit data at high speeds that make advanced communications services work. The AT&T long distance network has been broadband for years, but the final connections to most customers are still pairs of copper wires that carry a narrow stream of information, fine for voice calls but too slow for the services in our future.

From "circuits" to "packets" – In the old world of voice telephony, every call ties up a circuit or pathway through the network from one phone to the other. In the new world of the Internet, information – whether sound or data – is broken into separate units called "packets" that are reassembled at the receiving end. With packets, many users can share the same pathway at the same time. It's more efficient. More important, advanced packet systems run on the new technology standard known as Internet protocol, or IP. The IP standard links all forms of digital communications through the Internet. It's erasing the

C. Michael Armstrong
Chairman and
Chief Executive Officer

AT&T Financial Highlights

Dollars in millions, except per share amounts	1998	1997	% Change
Revenues	**$ 53,223**	$ 51,577	3.2%
SG&A	**13,015**	14,670	(11.3)%
SG&A/Revenues	**24.5%**	28.4%	
Operating income	**7,487**	6,836	9.5%
Income from continuing operations	**5,235**	4,249	23.2%
Net income	**6,398**	4,415	44.9%
Per Common Share - Diluted			
Income from continuing operations:			
As reported	**2.91**	2.38	22.3%
Operational*	**3.45**	2.37	45.6%
Net income	**3.55**	2.47	43.7%
Cash flow from operations	**10,217**	8,501	20.2%
Gross capital expenditures	**7,981**	7,714	3.5%
EBIT	**8,734**	7,279	20.0%
EBITDA	**13,415**	11,327	18.4%
Debt to total capital, net of cash	**12.3%**	32.9%	
Stock price	**$ 75.75**	$ 61.31	23.6%

*Excludes certain nonoperational net charges and gains.

boundaries between TVs, computers and telephones. And it's opening the door to new applications such as Internet services delivered over pocket-size wireless phones.

From local cellular to digital wireless leader – The growth of wireless calling is second only to the growth of the Internet as a driving force in communications. AT&T continues to expand its nationwide digital wireless network. With our groundbreaking AT&T Digital One Rate℠ service, we offer people a single rate for wireless calls throughout the United States. No long distance charges and no "roaming" charges for using your phone outside your home area.

From a domestic company to a global communications power – Our customers, especially multinational companies, need end-to-end global services with consistent quality, price and customer support. To provide that, AT&T has a facilities-based global strategy that gives customers the same technology and support everywhere in the world. That's why we announced our plans for a global joint venture with BT and acquired the IBM global network. Together, they will expand our reach as we develop a 200-gigabit, IP-based network linking 100 of the world's leading economic centers.

We're investing in our growth strategy.

In 1998, the acquisition of Teleport Communications Group, America's leading, independent, local-service provider for business, strengthened our local business offer. In addition, our $48 billion investment in Tele-Communications Inc. (TCI) gives us a broadband connection to consumers that enables local phone service and other services we'll combine with it. TCI and the joint ventures we announced with Time Warner and TCI affiliates give us the potential to reach 40 percent of American homes.

Meanwhile, the $9 billion we've invested in our network over the last two years is expanding what we can do for businesses and consumers.

We've broadened our wireless footprint, now the most extensive of any U.S. provider, with investments in digital technology. Our acquisition of Vanguard Cellular Systems will expand our coverage in 26 markets in the Eastern United States.

Financially, our core long distance business gives us the cash flow to invest in faster-growing businesses, although they won't be hitting their financial stride for another few years. We're investing in the high-growth areas of local service, wireless, the Internet, global services and network outsourcing.

As we make these changes for the future, we've also accomplished some ambitious short-term goals. In 1998, we took $1.6 billion in costs out of the business and surpassed our two-year goal of an 18,000-person reduction in the workforce in just one year.

We hit our major financial targets with operating earnings per share of $3.45, the high end of our $3.35 to $3.45 goal. Revenues grew by 3.2 percent, against our growth target range of 2 to 4 percent. While 1998 met or exceeded our objectives, it's just the beginning of building our company for growth.

Our financial targets for 1999 are: 5 to 7 percent revenue growth and earnings per share from operations of $4.20 to $4.30 (excluding the impact of the TCI merger). Ambitious? Yes, but not unreasonable based on the investments we're making and the commitment of AT&T people.

It's encouraging that the investment community shares my confidence in AT&T and its people. Our stock price began the year at $61.31 and finished at $75.75, an increase of 23.6 percent.

Now that we've completed the merger with TCI, we intend to do a three-for-two stock split, which means you'll have three shares of AT&T stock for every two shares you have now.

For AT&T in 1999, the big challenge is to execute the strategy we've put in place. We have the strategy. We have the assets. And we have the people. How well we put all this together for our customers will be what sets us apart.

In 1999, we'll be making our first "any-distance" offers over cable as we implement pilots in several cities. We'll expand to many more cities in the year 2000. We'll continue the acceleration of data and IP services and build on the leadership offers we launched in the wireless market. We'll finalize our joint venture with BT and launch global offers as we integrate the IBM network.

Of course, public-policy issues will still be with us. We'll do everything possible to see that the Telecommunications Act of 1996 is implemented as Congress intended. AT&T and other companies are making the kind of investments in local service that the Act was supposed to encourage. We will work with the Bell phone companies to open their local networks to new competitors, as the Act requires.

I'm enthused about AT&T's future. And I'm not alone in that. AT&T people know we now have the tools, and the time is right. The rest is up to us, and we won't let you down.

C. Michael Armstrong
Chairman and Chief Executive Officer

March 9, 1999

Eight-year-old Alexsa Marino in Connecticut gets to giggle with her grandparents in Florida thanks to AT&T's long distance service.

260 million times a day one call at a time

Whether it's your stockbroker calling across the globe to monitor international markets or your granddaughter calling across the miles to share her new knock-knock joke, every one of the 260 million calls we carry each day is important to AT&T. Our reliable long distance network connects calls quickly, easily, consistently 365 days a year.

We care about that flawless service because we're not just connecting circuits, we're connecting people – people who need to keep in touch at home, on the road, on line. So we offer choices that take the hassle out of communicating. Whether you make calls on a wired phone, a wireless phone, a calling card or the Internet, AT&T puts a full spectrum of services within your reach.

And we're creating new offers to meet your changing needs. With **AT&T Personal Network,** for example, we're the first in the industry to blur the boundaries between different types of calling. For just $29.99 a month, you'll pay only 10 cents a minute on nearly all wireless, long distance, calling card and personal toll-free calls – all on one bill with one number for customer care. That low 10-cent rate even applies on calls from the United States to Britain, Canada and northern Mexico. All the ways you want to communicate, on one network, for one low monthly fee – it's an offer so simple it could be written in crayon.

To add the color of communication to your life, call **1-800-4ATT NOW** and learn more about our rainbow of services that connect people to people.

20 billion toll-free calls a year

Ask a math whiz to calculate how many combinations of seven digits form a valid phone number, and you'll find there are more than 7.9 million. With so many possibilities, no wonder it took 27 years for the pool of toll-free 800 numbers to run dry.

But now, after only two years, we're nearly tapped out of numbers for the new 888 toll-free code, prompting the industry to introduce a third toll-free code – 877 – last year.

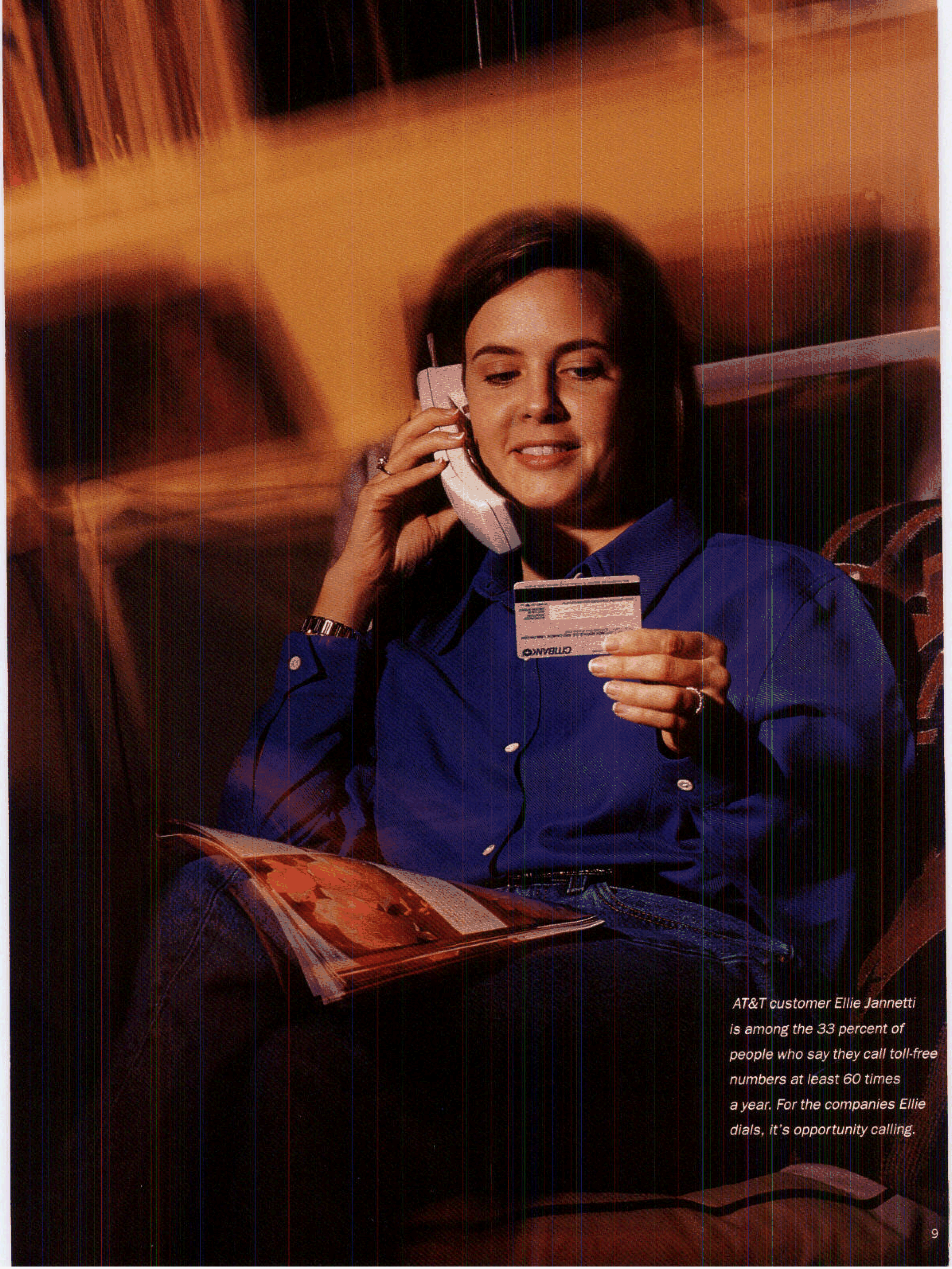
Why all this toll-free dialing?

Ever since AT&T invented the service more than 30 years ago, businesses have used toll-free numbers to put a world of goods and services at consumers' fingertips. Today more than half a million companies and government agencies accept toll-free calls. And on an average business day about 40 percent of the calls on AT&T's network are toll-free. That's roughly 20 billion toll-free calls a year!

For as little as $10 a month, **AT&T Toll Free Solutions℠** offers these entrepreneurs everything from basic toll-free service to advanced features for managing and routing toll-free calls.

But toll-free's not just for business anymore. Personal toll-free numbers help families and friends stay in touch. **AT&T Easy Reach® 800** service allows consumers in the United States and Hawaii to receive and pay for calls from anyplace in the United States, Puerto Rico, the U.S. Virgin Islands and Canada. For just $2.50 a month, plus 25 cents a minute (50 cents for calls from Canada), you've got a personal toll-free number the whole family can use to call home without cash or credit cards. And of course, it's only 10 cents a minute if you're an AT&T Personal Network customer.

Do the math, and you'll find the benefits of toll-free calling really add up. To learn more about toll-free solutions for business **(1-800-222-0400)** or home **(1-800-850-8437)**, give us a call … toll free, of course.



AT&T customer Ellie Jannetti is among the 33 percent of people who say they call toll-free numbers at least 60 times a year. For the companies Ellie dials, it's opportunity calling.

With 100,000 customers like Keith Jacks signing up every month, AT&T's Digital One Rate service is the clear standout in the wireless crowd.

#1 rated wireless carrier

What makes AT&T's wireless service stand out from the crowd? The answer is, quite literally, simple.

AT&T Digital One Rate℠ service, the simple, easy-to-understand offer we introduced in 1998, stood the wireless industry on its ear and got the world talking. As a result, *Wireless Week* named us recipient of its 1998 Cellular Carrier Excellence Award.

With AT&T Digital One Rate service you don't pay roaming or long distance charges across the United States – an industry first. Every call is like a local call, with rates so low you could make your wireless phone your only phone. Since we launched AT&T Digital One Rate service last May, more than 1 million subscribers have signed on.

They get more than a great calling plan; we offer great coverage, too. We have the largest digital wireless network in North America. Our customers can use their wireless service in 96 percent of the United States. To make wireless connections around the world, we use the North American Cellular Network, which links more than 7,500 cities in the United States, Canada, Mexico and Puerto Rico, and more than 80 countries worldwide.

And our footprint is growing. In 1998, we signed a merger agreement with Vanguard Cellular Systems to expand our coverage in 26 markets in the Eastern United States. And on the West Coast, we're managing day-to-day operations of L.A. Cellular, now named AT&T Wireless, which enables us to offer advanced digital services in the competitive Los Angeles market.

Our wireless customers will benefit from the $2 billion we'll invest in our wireless infrastructure in 1999.

With AT&T's complete coverage, easy offers and outstanding service, choosing a service provider should be simpler than ever.

For more information about AT&T Wireless Services, simply call **1-800-IMAGINE.**

$7.5 billion in new outsourcing contracts

It seems handshakes built the financial-services industry. Approve a loan, close a mortgage, open an account, and the partners clasp hands to seal the deal.

But after a merger or acquisition, it's not just the dealmakers who get a grip. Once-separate computer networks must pass information back and forth without a hitch for business to operate smoothly.

Planning aggressive worldwide growth, financial-services giant Citibank needed all its systems to fit like a glove. So **AT&T Solutions** lent a hand.

Our professional-services unit designed and manages a global data network that consolidates Citibank's 11 different networks into one. Now everyone involved in Citibank's business – employees, suppliers, customers – will communicate on a common, user-friendly, Internet-based platform.

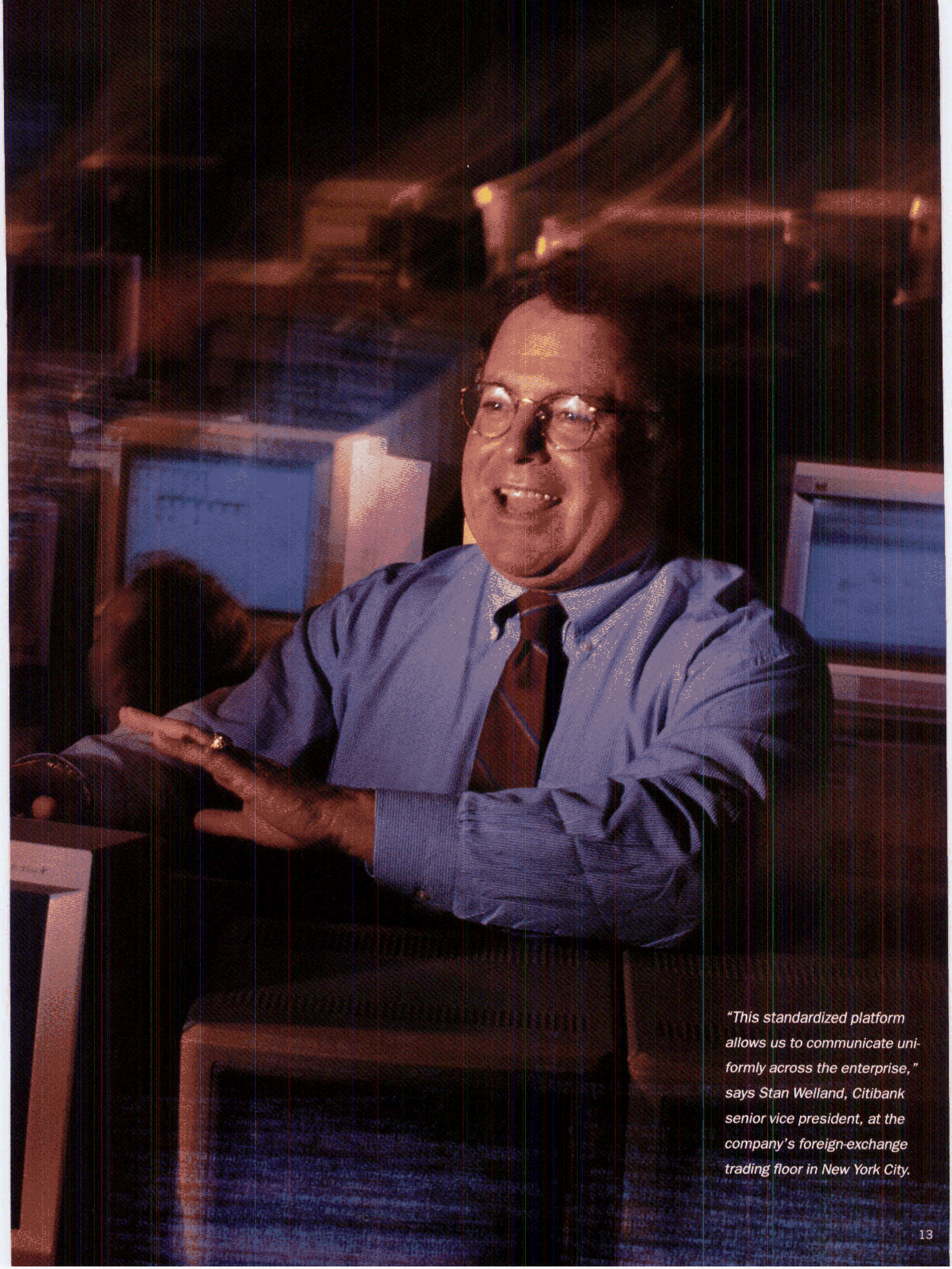
"We need the latest technology to provide sophisticated services around the globe and stay ahead of our competitors," says Stan Welland, senior vice president at Citibank and head of Global Technology Infrastructure. "So we chose AT&T Solutions for its technical capabilities, proven track record and geographic reach."

The five-year agreement should improve Citibank's overall network-service quality and reliability while lowering its operating costs by about $250 million. Best of all, without its hands tied in networking knots, Citibank's free to focus on its core business and on satisfying customers.

And that's only one AT&T Solutions success story. Since its launch in 1995, more than 1,000 companies have given AT&T Solutions the thumbs-up. Its outsourcing, consulting, network integration and call center services are applied in industries ranging from publishing to airlines to health care.

In 1998 alone, AT&T Solutions signed $7.5 billion in new outsourcing contracts.

If your business could use a helping hand from AT&T Solutions, learn more at **www.att.com/solutions.**



"This standardized platform allows us to communicate uniformly across the enterprise," says Stan Welland, Citibank senior vice president, at the company's foreign-exchange trading floor in New York City.

35 terabytes per day

Drizzle Dave's Gourmet hot sauce on your chili and you'll breathe fire. It's the most popular item at Salsa Express, the Texas-based distributor of salsas, hot sauces and fiery foods. But when customers order the blistering brew on the company's Web site, they don't even break a sweat. Because thanks to **AT&T SecureBuy**® Service, their credit card information is safe.

"Nobody can match AT&T's stability, integrity and technology," says Salsa Express President Harry Goodwin. "For a small firm like ours, the AT&T brand gives customers confidence their credit card transactions will be protected."

And business is jalapeño hot. Salsa Express' sales on the Web have tripled in the last two years, with 95 percent of Internet orders coming from customers new to the company, including some as far away as Australia and Japan.

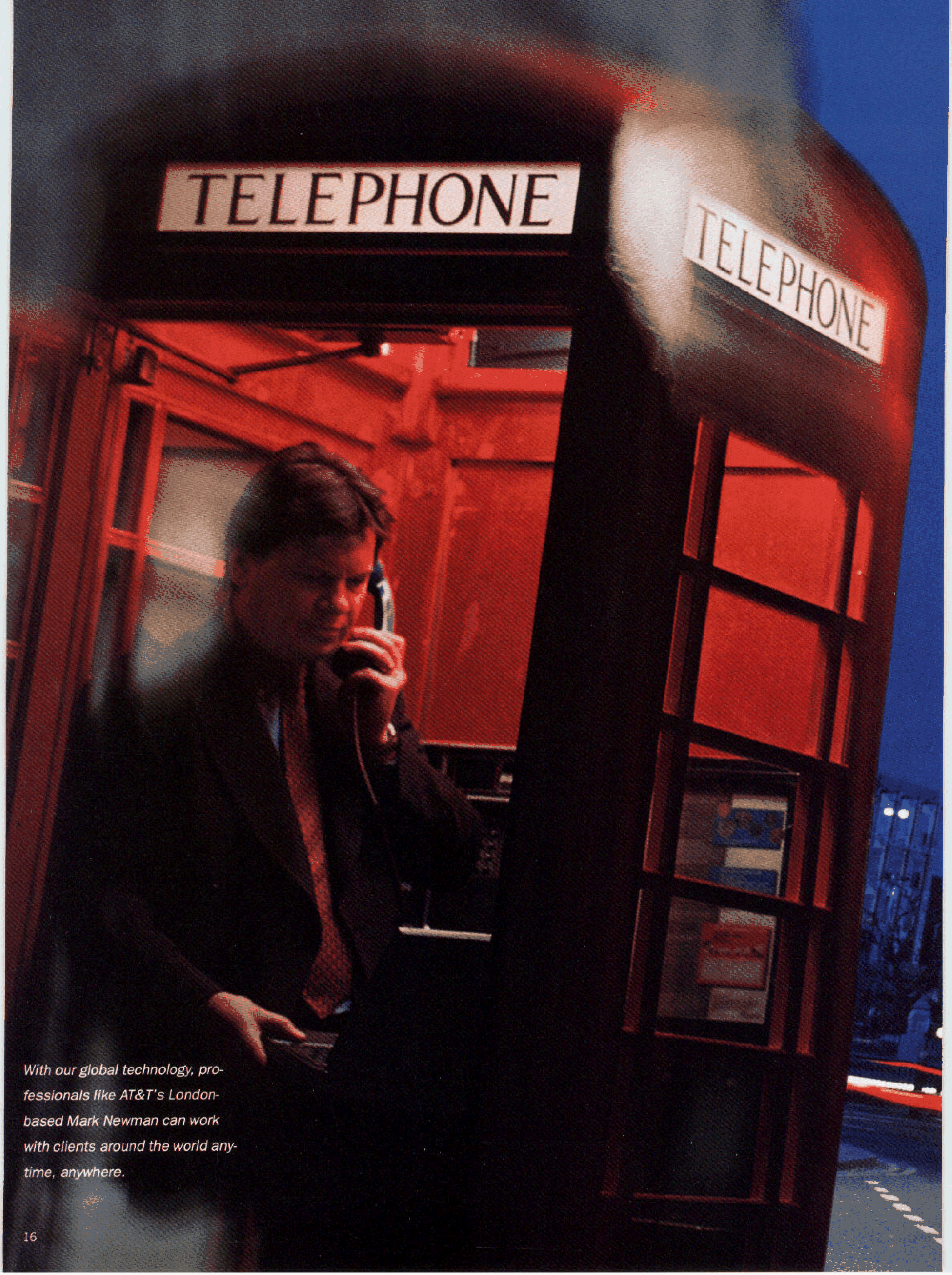
As more people and businesses around the world go on line, AT&T keeps them from getting burned. Our sophisticated, global network quickly and reliably carries more than 35 terabytes of data – or 280 trillion characters – every day. Printed on paper, that information would stretch around the globe.

Businesses hoping to heat up sales can select from our end-to-end package of electronic-commerce services, including site creation, Web hosting, coordinating dial-up access and supplying online assistance.

For consumers, **AT&T WorldNet**® service is the reliable way to the Web – at a low monthly rate of $14.95. In fact, its quality and value earned AT&T WorldNet *PC* magazine's "Best Buy" rating. Already more than 1.4 million people subscribe, making AT&T WorldNet the largest direct Internet service provider in the United States.

There's no doubt about it: The Internet is hot stuff and getting hotter. If you'd like to fan the flames, learn more about our business services at **www.ipservices.att.com.** And to see the world through AT&T WorldNet, check out **www.att.net**, or call **1-888-879-9248.**

With Internet services from AT&T, sales are sizzling at Salsa Express, where Linda Garza ships fiery foods around the world.



With our global technology, professionals like AT&T's London-based Mark Newman can work with clients around the world anytime, anywhere.

100 economic centers at the speed of light

Going global today takes more than a passport and a plane ticket. For multinational companies, running a worldwide operation requires people, data and systems to work together as if they're next door instead of continents apart.

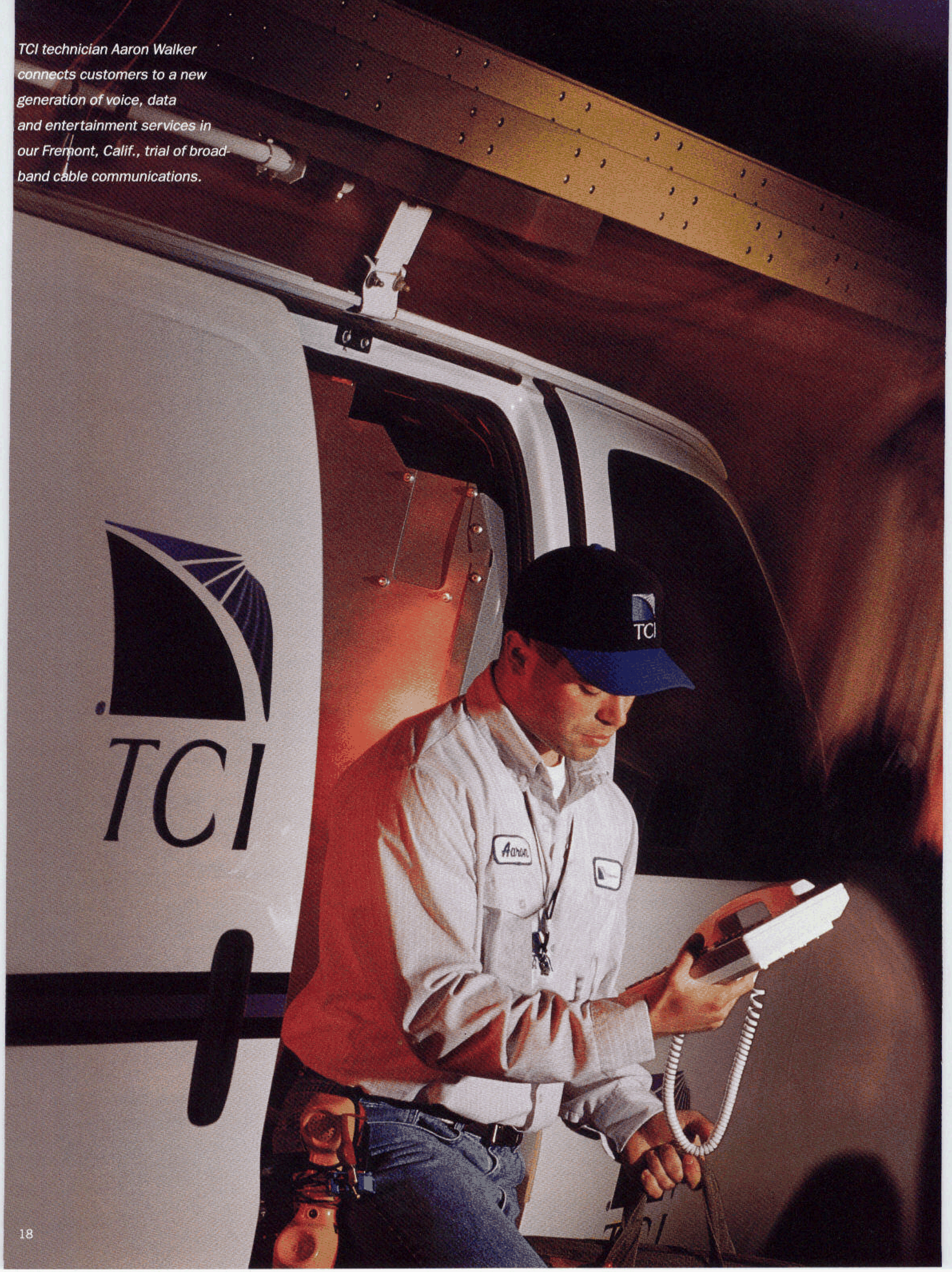
To connect those continents, we're creating a global venture with BT, a worldwide communications leader and the premier carrier in Europe. Combining AT&T's and BT's international operations, network assets and customer relationships, the venture will span the world with a range of advanced global services far greater than either of us could offer alone. Revenues for the first full year are expected to exceed $10 billion.

Together, we'll design a new, common network architecture to link the world's leading 100 economic centers at 200 gigabits per second. That's like a single fiber carrying 2.6 million calls simultaneously. And it's all based on Internet protocol – or IP – the transmission method that's transforming telecommunications in the same way the World Wide Web unlocked access to information. The advanced voice, data, video and Internet services created for this IP-based network will define the future of the Information Age.

To complement the global venture, we agreed to acquire, for $5 billion, IBM's global network that serves thousands of businesses and more than 1 million individual Internet users in 59 countries. It handles a variety of speeds and protocols, and accelerates our ability to deliver IP-based services to global customers.

So with AT&T circling the world with advanced technology, not only is it easier than ever to go global, but you can do it in first-class style.

TCI technician Aaron Walker connects customers to a new generation of voice, data and entertainment services in our Fremont, Calif., trial of broadband cable communications.



43 million homes passed

Someday soon, a truck may rumble down your street, stop in front of your house and make a delivery. The driver won't be from the post office, but from AT&T, your any-distance company. And the delivery we make won't be a plain, brown box, but a dazzling bundle of communications services carried on a ribbon of broadband cable.

Through our merger with TCI and agreements with five of its affiliates and Time Warner, we'll soon have access to broadband cable facilities that pass 43 million U.S. homes. That's a direct link to 40 percent of households in the country, creating the nation's most extensive, broadband local network platform.

The current copper telephone wire to most homes carries phone conversations at thousands of bits per second. But broadband cable zips information, voice and video at millions of bits per second.

Some folks in Fremont, Calif., have already taken the wrappings off their bundle of broadband services. That's where we're testing a new generation of two-way, digital entertainment, telephone and Internet services that our merger with TCI is making possible. By the end of the year, we'll offer telephone service over broadband cable in ten major U.S. cities. And that's just the beginning.

Over the next few years, millions of families will be able to connect phones, computers and televisions to that cable. In addition to high-speed Internet access, digital-quality video and CD-quality audio, they'll have multiple lines of any-distance telephone service – including local – with conference calling, call waiting, call forwarding and individual message centers for family members.

Even the cable box on their TV will be set to deliver. Not only will it let them order pay-per-view movies, it will become a virtual communications center where they'll retrieve all kinds of messages – e-mail, voice or fax. And they'll use it to activate extra phone lines as they need them.

All these choices that make life simpler, communication easier and information richer will come over a coaxial cable just a half-inch thick. Proof, indeed, that good things still come in small packages.

We're investing to grow

AT&T's senior leaders use one word to describe the company's top priority for 1999: Execution. They all agree we've made critical investments, and now it's time to pull out the stops and see how high we can fly. Here's some straight talk from the team that can make it happen.

"We'll be the best because we're the customers' champion; we know their needs better," says AT&T President John Zeglis (right), talking strategy with AT&T Wireless Services President Dan Hesse at AT&T's New York City store.

The consumers' champion

John D. Zeglis, AT&T President

With a beat as steady as a bass drum, the phrase "any, any, any" pops up in John Zeglis' conversation again and again. The AT&T Consumer Services leader repeats that refrain to sing the praises of the new AT&T and what the future can hold. Our mission: Enable people to communicate anywhere over any distance in any form. Any, any, any.

"We're a 'connections' company," Zeglis explains. "And we want to make connections possible over any distance – local, long distance, global. In any form – video, voice, data, online, in real time, out of real time. And because we're connecting people, not places, that connection can be anywhere: in your pocket, home or computer. You're never without a connection."

One of the connections that excites Zeglis most these days is broadband cable. The TCI merger and joint ventures with Time Warner and five TCI affiliates should offer broadband coverage to about 40 percent of the United States. "That cable into the home or business will give us a physical connection to our customers – directly, locally, over the first mile, and through a broadband pipe that can create the information-rich environment our customers crave," he says.

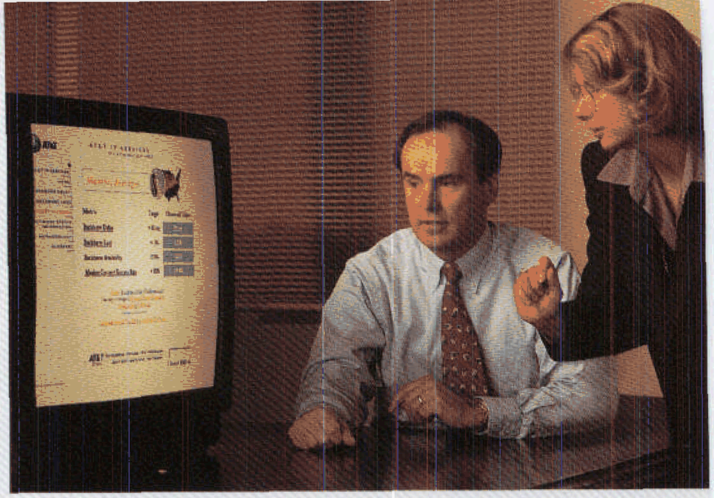
After a successful market trial in Fremont, Calif., we expect to introduce telephone service over broadband cable in ten large market clusters by the end of the year. "We won't get all the way home in 1999," Zeglis cautions. "But those ten markets will get the pilot light burning so we have customers enjoying the benefits of advanced broadband services, and we're ready to sign on serious numbers of customers in the year 2000."

Those customers will have more than broadband cable connecting them to the people and places they want to reach. Long distance, wireless and Internet services complete the suite of consumer products that make the "any, any, any" dream possible. And Zeglis has orchestrated a plan for those players to harmonize perfectly.

"We're going to market as a franchise, with all products tailored and bundled to the needs of the particular customer we're reaching," he says.

Bundles are a big deal, but one Zeglis admits we haven't mastered in

"We're putting all the pieces together for a facilities-based business," says AT&T Business Services President Michael Keith, reviewing online sales tools with Kathleen Earley, vice president of Internet Services.



the past. "It's more than just 'stapling' services together," he says. "We can provide our best value to customers who buy multiple products together in an integrated package. The pricing is seamless and so, often, is the service."

We've already started rolling out such unified bundles, with the January 1999 introduction of AT&T Personal Network, the offer that combines low rates on wireless and wired long distance calls – all on a single bill with one number for customer care.

There's no mystery why wireless is part of the AT&T Personal Network bundle: "It's a growth industry," Zeglis says. "We made that happen through the simplicity of AT&T Digital One Rate service introduced in 1998, and by taking advantage of AT&T's large, national, digital wireless footprint. And we're going to do more of it. We'll build more markets in 1999 and add more than a million subscribers through wireless connections."

Also growing is AT&T's share of Internet users. "After spending the first half of 1998 getting control of our costs, we spent the last half improving our marketing of AT&T WorldNet," Zeglis says.

So whether they're on a computer, a cellular phone or a wired line, Zeglis can connect customers. "If you're at home, we'll connect you through our broadband network. If you're away from home, we'll connect you through the air. And if you can get to a phone – any phone – our calling cards and prepaid cards will connect you anywhere, anytime."

Any, any, any. He just can't get that tune out of his head.

Working together in a whole new way
Michael G. Keith, President
AT&T Business Services

Change is a given. A cliché, perhaps, but true nonetheless. And no one knows that better than Michael Keith. With 21 years at AT&T, he's seen the company face challenges at every turn. By now he takes any change in stride.

Good thing, because as this report went to press, Keith was named president of AT&T Business Services. He succeeded Bob Annunziata, who left the company to pursue an entrepreneurial venture.

Keith can hit the ground running. He actually led Business Services on an interim basis for much of last year, significantly reducing its costs and laying the foundation for its improving revenue growth and strong financial results.

With extensive sales and marketing experience, he brings a unique perspective to his new role, viewing the company the way a customer would. "AT&T is one company, not a set of separate 'silo' businesses," Keith says. "By exploiting the strengths of each sector, working together we can win more revenues, win more customers and be even more successful."

While maintaining its hold on the business-voice market, Business Services intends to fuel growth in 1999 through data, local and Internet protocol – or IP, the form of switching used by the Internet to move packets of digital information across all kinds of networks.

True to Keith's one-company philosophy, we're already introducing services such as AT&T Integrated Network Connection (INC), which speeds the integration and interoperability of voice, data and IP networking for businesses. With a "plug and play" connection to the AT&T network, the service automatically adjusts bandwidth to customers' changing demands for different types of traffic.

"We're truly committed to IP as the unifying protocol transforming the communications and computing industries worldwide," Keith says. "Offers like INC prove we're walking that talk."

And our IP network is growing rapidly to support a full range of offers. In fact, we're doubling the capacity of our IP network every month and hosting more than 8,000 Web sites for business customers.

To help achieve the 7 to 9 percent revenue growth targeted for 1999, Business Services is increasing its sales force by about 1,000 people.

Chief Financial Officer Dan Somers (left) and AT&T President John Zeglis discuss a world of opportunities with Cathy Martine, vice president of International Operations.

Their marching orders: Protect the current customer base and aggressively target new businesses.

"You cannot grow revenues without having feet on the street," Keith says. "Fewer feet means fewer accounts we can call on. So if we want to grow more, we've got to have multiple channels such as agents, wholesale vendors and retail outlets."

Their efforts will be supported by "net.working," our first major advertising campaign for business customers in two years. "There's no stone unturned," Keith says.

One pair of the feet on the street belong to Keith himself. He's meeting with customers, salespeople and technicians to learn what's working and what's not. As a result of those discussions, in 1999, Business Services will introduce the "5 and 15" program to turn up services more quickly. "If you're already on the network, we'll turn up your service in five days. If you're not yet on the network, we'll do it in 15," Keith explains.

Those intervals are better than industry benchmarks, but that, too, is part of Keith's strategy. "We're AT&T," he says. "Our intent is to lead and set higher standards going into the next millennium."

On top of the world

John D. Zeglis, AT&T President
Daniel E. Somers, Senior Executive Vice President and Chief Financial Officer

The tire-size globe to the left of Dan Somers' desk is more than just a geography tool. It's the canvas on which AT&T's international strategy is drawn. But while the company's past global attempts were sketchy, this one's painted in bold brush strokes and vivid colors.

"Two years ago, we were nowhere in terms of being a global business," admits Somers, who has held international responsibilities at AT&T since he and John Zeglis refocused international priorities in mid-1997. "We had small, unlinked ventures. And we lacked a vision of what it meant to be global."

Stepping back to the drawing board to reconsider its international strategy led AT&T to two defining moments in 1998: a joint venture with BT and the purchase of IBM's global data network.

"Both of these moves broaden our position to serve multinational customers by increasing the range of facilities we control, turning our focus to an IP-based platform, expanding our coverage of the world, and adding the resources we need to be a truly global enterprise," Somers says.

Having guided the company's international interests through those milestones, Somers is now focusing full time on AT&T's financial strategy in his role as chief financial officer. He's passed the international torch – and that tire-size globe – to Zeglis.

In 1999, Zeglis will position AT&T to fill in the outlines marked by the BT and IBM deals, making investments to bridge gaps rather than create positions. "We're looking at areas of growth, particularly in the Asia Pacific and Latin American regions, whether through joint ventures or direct investment in facilities," Zeglis says.

With only a handful of "super carriers" positioned to serve the needs of multinational customers, Zeglis believes AT&T will come out on top. "Customers are looking for one source to provide seamless voice and data service," he says. "We should have a competitive advantage across the board – on scope, product depth, quality, cost structure and service capabilities – if we execute properly."

Execution in 1999 means fulfilling the promise of 1998's strategic moves. "We're making sure the architecture, design and plans for our 100-city, 200-gigabit IP platform are up and running. That will enable us to properly launch the global joint venture as soon as we achieve regulatory approval – probably by the fall," Zeglis says. "We're working to complete the purchase of the IBM global network by midyear and effectively integrate it within AT&T. And we're analyzing, evaluating and likely executing at least one or two 'in-country' investments in 1999."

Looking at the big picture, the men who collaborated on AT&T's international strategy say it could be a masterpiece in the making. "In two years, we've gone from nowhere to being everywhere," Somers says. "And 1999 is the year we'll integrate to launch significant growth around the globe," adds Zeglis with a flourish.

The network never sleeps

Frank Ianna, President
AT&T Network Services

In a year when doomsayers predicting year 2000 (Y2K) computer chaos are burying canned goods and cash in backwoods bunkers, Frank Ianna's not flinching. He's OK with Y2K. In fact, he says it's old news.

"A significant amount of AT&T's Y2K work was complete at the end of 1998, and now we're finalizing our contingency plans. I'm sure the AT&T network and its services will work just fine," says Ianna, head of AT&T Network Services. "When the book is written, Y2K will most likely be a 'yawner' for AT&T."

With Y2K under control, Ianna's digging into a full plate of network maintenance and integration activities. In 1998, AT&T Network Services focused on growing the existing network, enhancing its reliability and improving unit-cost effectiveness. "We're continuing those efforts in 1999," Ianna says, "while at the same time realizing meaningful synergies from the TCG, TCI and IBM assets."

To achieve those goals, Ianna's investing in the latest technology, especially in the growth areas of IP, local and wireless. "We'll deploy newer technolgy nearer the customer – what I call the 'edge' of the network," Ianna says. "We'll look for local, data and IP switching and service vehicles that are flexible and have the upgrade capability to lead us to future innovations."

As for the two-way broadband cable made possible by the TCI deal, Ianna dismisses questions of the technology's viability. "It works," he states confidently. "I just want to get it into enough homes fast enough with the quality that people expect so it begins to snowball quickly."

Furnishing such services with the speed that satisfies customers requires efficient internal systems. Ianna's sending AT&T's for a tune-up. "We really need to overhaul our systems with the latest technology," he says. "Look for more Web-based systems that give customers greater access and control."

As he ticks off 1999's to-do list – complete Y2K preparations, integrate networks, beef up systems – Ianna brims with excitement. "This year's going to be almost a blur of activity," he says. "We'll increase our pace and efficiency while decreasing our costs."

AT&T Network Services President Frank Ianna (center), discusses Y2K efforts with John Pasqua, Year 2000 vice president (left), and Rudy Alexander, vice president of Continuity Services.

But none of that can come at the expense of network reliability. "We have five objectives on the network: reliability, reliability, reliability, low unit cost, and innovate products through new technology," Ianna says. "And if we can't do all five, I say do any two of the top three. Because our customers count on reliability."

The innovation engine

David C. Nagel,
Chief Technology Officer
President – AT&T Labs

With a résumé that includes a stint at NASA, Dave Nagel knows how to apply technology to explore the vastness of the universe. But with a tour of duty at Apple Computer, he also knows how to harness technology to expand the power of a space no larger than your desktop.

As president of AT&T Labs, he does both – developing technology that not only opens new communications frontiers but that also changes the way we connect person to person. It's proven to be a winning combination.

Formed in 1996 when Bell Labs split in two to ensure research leadership for both AT&T and Lucent Technologies, AT&T Labs continues the company's long heritage of applying innovation to communications services. "There's no more exciting place to be if you want to change the way people communicate with one another, change how we conduct commerce, and change people's lives for the better," Nagel says.

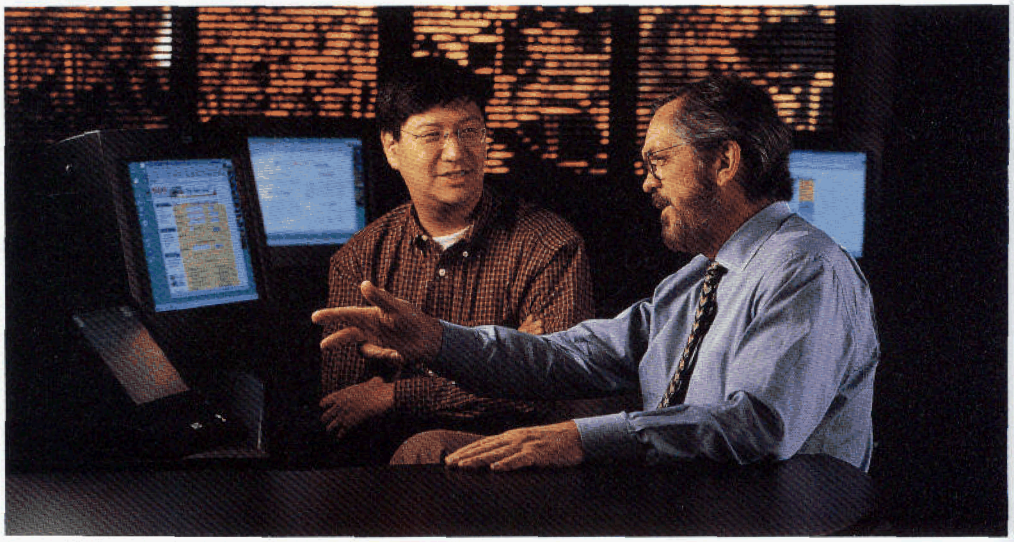
He expects AT&T to drive those changes, and the numbers suggest the Labs has the roadmap. The unit he describes as AT&T's "innovation engine" filed roughly 600 patents in 1998. "That incredible number, more than two per working day, proves the Labs' belief in AT&T's culture of commitment," Nagel says. "We promised 600 patents for the year, and we did it."

Approximately 2,000 issued and pending patents in the company's portfolio generated millions in royalties in 1998.

Whereas in the past Labs researchers were guided purely by inspiration, now they also rely on AT&T's strategic direction as a creative framework. "For the first time, we had a very clear strategic context within which to do our research," Nagel says. "So in 1998 we refocused on the key challenge facing the company: becoming the industry leader in IP-based networking and services."

Our global joint venture with BT will showcase the Labs' IP prowess and help us move toward the coveted top spot among the IP elite. AT&T, BT and the global venture have all agreed to adopt the same broadly usable, common, open network architecture to ensure compatibility worldwide. Labs researchers developed that IP platform last year; now they're helping build it.

"Despite a culture that stretches back 100 years, we can move technology into the marketplace as quickly as any start-up," says Chief Technology Officer Dave Nagel (right), with Albert Chu, a director at AT&T Labs.



"The rapid movement of technology, its increasing complexity and the lack of skilled workers forces clients to turn outward for help," says AT&T Solutions President Rick Roscitt (right), with Jim Pagos, AT&T Solutions chief operating officer.

While erecting the global IP platform, AT&T Labs is also developing the technology to reap the benefits of the TCI merger. Pioneers in cable technology since the 1980s, AT&T Labs researchers have developed a suite of broadband services.

"With our research and advanced development over the last five years, we have a solid technology base to bring to bear on the TCI investment," Nagel says. "We have working demonstrations of all the technology, and we're in the process of fine-tuning it to get costs down and performance up."

To move more technology quickly to market, Nagel's top priority in 1999 is implementing a new "service realization" process. "Research and development managers in each business unit are working closely with the Labs not only in commercializing what we've already invented, but on the invention planning itself," Nagel says. "So over the next few years we'll develop a pipeline of new services, concepts and technologies."

Technical innovation coupled with creative marketing and sales ... sounds like another of Nagel's winning combinations.

Reaching for revenues

Richard R. Roscitt, President
AT&T Solutions

Rick Roscitt racked up thousands of frequent-flyer miles in 1998. And his battered, black briefcase – its seams scuffed and frayed – bears the bruises of being stuffed into overhead compartments.

But somehow Roscitt arrives at each destination with not a hair out of place. His white shirt cuffs are pressed sharp enough to slice onions, and he's itching to get to work.

Riding hard, staying fresh and tenaciously attacking a job are tools of the trade for Roscitt and his fellow travelers at AT&T Solutions, the unit that plans, installs and manages innovative networks for the world's leading companies. In 1998, this "networking-centric professional-services firm" inked deals and headlines, signing one record-setting contract after another – Citibank, Bank One, IBM.

In the process, AT&T Solutions surpassed $1 billion in revenues and met its goal of producing positive earnings before interest and taxes in the fourth quarter.

Building on that momentum, Roscitt expects to close many more contracts for new long-term business in 1999 – each deal a step on the path to "five in five," the goal AT&T Solutions set in 1998 to become a $5 billion business within five years. "This is no longer just an interesting start-up operation," Roscitt says. "We are now depending on AT&T Solutions to reach revenues of $5 or $6 billion a year by around 2003."

That's not just wishful thinking. With a projected annual growth rate of 25 percent, the networking market is skyrocketing. "Businesses are accelerating their networking investments because the network is directly connected to their marketing, selling and delivery strategies," Roscitt says. "Networking is now mission critical for a business to go to market."

To beat competitors to the bargaining table, AT&T Solutions relies on its rock-solid reputation for unmatched expertise. In 1998, The Yankee Group, Dataquest and G2 Research named AT&T Solutions a market leader in networking outsourcing.

"Of course, what really matters is who clients decide is the market leader," Roscitt says. "Ours is a business where track record, trust and reliability are the top selection criteria."

Time and again in 1998, current clients helped AT&T Solutions win new contracts by meeting with prospective clients to vouch for the firm's service and skill. "In some cases, we've bid higher than other competitors and won, because the client had more trust in our capability to execute," Roscitt says.

As for Roscitt's trust, that's been placed in his fellow AT&T leaders. "In the last couple years," he observes, "we've changed into a team of people who see themselves not only as strong individuals, but as much stronger when we work together and support each other to execute AT&T's strategy."

With that team on board, you'd better fasten your seat belt. AT&T's ready for takeoff.

Glossary

Here's a "straight talk" translation of some of the technical terms that describe our strategy and achievements.

Bandwidth: A measure of the information-carrying capacity of a communications channel. A narrowband channel, such as a voice channel, cannot carry as much information as a broadband channel, usually required for video or high-speed data transmission.

Broadband: A communications channel with wide bandwidth that enables it to carry more information at higher speeds than a narrowband channel. A broadband system can transmit many different signals at the same time. Each set of signals is translated into frequencies that do not interfere with one another.

Byte: A series of 8 bits (e.g., 01010101) that represent a single character.

BT: A worldwide communications leader and the premier telecommunications carrier in Europe. In 1998, AT&T and BT agreed to create a global venture to serve the communications needs of people and businesses around the world.

Electronic commerce: The integration of electronic mail, electronic funds transfer, electronic data interchange and similar techniques into an automated, electronic-based system that encompasses such business functions as procurement, payment, supply management, transportation and facility operations.

Gigabit: A unit of storage equal to 1 billion bits.

IP: Internet protocol, the form of packet switching used by the Internet to move all forms of digital information – voice, video, data and images – across all kinds of networks. IP is the standard AT&T has chosen for our 21st-century global network.

Network: A system of computers, hardware and software that are connected and over which voice, data, files and messages can be transmitted.

Network architecture: The manner in which a network is structured.

Outsourcing: Procuring services or products from an outside supplier or manufacturer with expertise in the field in order to cut costs.

Packet: A unit of digital data with a set number of bits, including some bits that serve as destination or "address" code. The unit, or packet, can be separated from the rest of its message components and sent through a specially switched communications network to its destination, where it can be reunited with the other message components, regardless of which paths they took en route.

Packet switching: An economical, high-speed method of sending data in bursts by dividing it into small blocks – or packets – and then sending them along various routes to a destination, where they are reassembled.

Platform: The collection of technology components used to create a network.

Protocol: A standardized set of rules that allow computers to connect with one another by specifying the format, timing, sequencing and error checking for data transmission.

Roaming: Using your cellular phone outside your usual service area, often at premium rates.

TCG: Teleport Communications Group, the competitive local communications company with which AT&T merged in 1998 to accelerate our entry into business-local service.

TCI: Tele-Communications Inc., one of the world's largest cable and telecommunications companies. In 1999, AT&T and TCI merged to deliver communications, information and entertainment services to consumers over broadband cable.

Terabyte: A unit of storage equal to 1 trillion bytes.

Web hosting: Storing a customer's Web site on a server – a powerful computer with a fast, permanent connection to the Internet.

Y2K: Year 2000. Y2K often refers to the problems that could occur when a computer's internal clock reaches Jan. 1, 2000. Most computer programs written over the last 20 years use only two digits for the year. Unless this is corrected before that date, some computer systems will not work properly, interpreting "00" as the year 1900.

We're financially focused

In 1998, we repositioned AT&T, never taking our eyes off our financial goals. We hit critical targets – earnings per share, revenue growth, cost reduction. The numbers practically speak for themselves.

But that's just the beginning. We'll go further in 1999 by continuing to reduce costs, building top line revenues and investing to grow. It's something to talk about.

Dan Somers, chief financial officer (center), with Nick Cyprus, controller (left) and Ed Dwyer, treasurer.

Financial Review

In reviewing our operating performance, we discuss our results on an as-reported basis, as well as on an operational basis which is adjusted for certain nonoperational items. We believe this will assist readers in understanding AT&T in terms of trends from period to period. The nonoperational items adjusted for in 1998 include restructuring and other charges, primarily due to net charges associated with a voluntary retirement incentive program for certain employees and asset impairment charges associated with a local-service initiative, gains on sales of nonstrategic businesses and the benefit associated with the adoption of a new accounting standard for internal-use software. The nonoperational items adjusted for in 1997 include a charge to exit the two-way messaging business in wireless services, the reversal of certain business restructuring reserves and a gain on the sale of a nonstrategic business. These items are discussed more fully under "Results of Operations" on page 32.

Also, in accordance with generally accepted accounting principles, our financial statements reflect the results of "continuing operations" separate from certain businesses we have divested. These divested businesses are represented as "Income from discontinued operations (net of applicable taxes)," "Net assets of discontinued operations," and "Net cash used in discontinued operations." Gains associated with these sales are recorded as "Gains on sales of discontinued operations." In 1998, discontinued operations included the results of AT&T Universal Card Services. The results of AT&T's former submarine systems business is also included in 1997 and 1996 discontinued operations. In addition, 1996 discontinued operations included Lucent Technologies Inc., AT&T Capital Corp., NCR Corp. and other businesses.

Financial Section Index:

AT&T Corp. and Subsidiaries (AT&T)

AT&T entered 1998 in what looked to observers like a cloud of uncertainty around its future. Indeed, the change heralded by the Telecommunications Act of 1996 had failed to materialize in the nearly two years since the law was passed. Our efforts to enter the local-exchange market had proven unsuccessful and costly due largely to the incumbent carriers' choice to exercise their monopoly power.

At the same time our core product – long distance service – was becoming increasingly commoditized. With literally hundreds of competitors in the marketplace, price was quickly becoming the only consideration in customers' buying decisions. That fact highlighted yet another cause for concern: AT&T's cost structure, though improving, was simply not competitive, with selling, general and administrative (SG&A) expenses approaching 30% of revenues.

Investors were looking for solutions to these problems in 1998, and for answers to important questions about our global, wireless and Internet strategies. Above all, investors were looking for growth. AT&T's revenues grew only 1.8% in 1997, although earnings trended upward in the second half of 1997 but declined for the full year compared with 1996.

The response that investors, customers and competitors received was both swift and decisive. The "sleeping giant," as some liked to think of AT&T, roared to life in 1998 and undertook a strategic transformation that has fundamentally redefined our company and changed the future of our industry.

AT&T and Dow Jones Industrial Average Two-Year Return

Investing to Grow...

Our strategy is to grow by investing in facilities to provide advanced, end-to-end communications services directly to our customers, without relying on the networks of other companies. We are moving from the long distance business to the any-distance business, from a domestic carrier to a global power, and from a local cellular provider to a national digital-wireless leader. We are investing in Internet protocol, or IP, networks that will carry voice and data traffic together at a lower cost than circuit-switched networks. And we are investing in broadband connections – high-capacity, high-speed links to homes and businesses – in order to deliver integrated voice, video and data services to our customers.

This is the strategy we communicated to our shareowners in 1998, and we committed to the investments we'll need to execute it. We completed our $11 billion merger with Teleport Communications Group Inc. (TCG), giving us local network facilities to reach business customers in more than 80 U.S. markets. We gained broadband connections to one third of U.S. households through our merger with Tele-Communications Inc. (TCI), which closed in March 1999. We conceived a joint venture with British Telecommunications plc (BT) designed to build a 100-city, global, IP network and become a leading carrier of global communications traffic. We agreed to acquire the global network business of IBM for $5 billion. We continued the expansion of our national digital-wireless footprint, investing more than $1 billion in capital, assuming management control of our joint venture in Los Angeles, and agreeing to acquire Vanguard Cellular Systems. And shortly into 1999, we announced a joint venture with Time Warner Inc., as well as joint ventures with five TCI affiliates that will extend our cable telephony footprint to more than 40 million homes.

These investments represent AT&T's future growth, yet we are already beginning to see the benefits of our growth strategy. Our 1998 revenues grew 3.2%, and we closed the year with 4.8% growth in the fourth quarter. Our wireless business was a strong contributor with more than 17% growth for the year and more than 30% in the fourth quarter (adjusted for the sale of our messaging business), driven by the success of our revolutionary AT&T Digital One Rate℠ service. AT&T Solutions, our network outsourcing business, achieved more than $1 billion in revenues in 1998, growth of 34.2% over 1997. Data services grew at a rate in the mid-teens, led by packet services such as frame relay. And our investment in TCG began to pay off, as total local service revenues grew 73% for the year. As we continue our momentum in these areas and begin to build our capabilities in broadband and global services, AT&T is well positioned to diversify its revenue streams and accelerate its growth.

... and Delivering Outstanding Financial Performance

While our growth investments grabbed the headlines in 1998, we also made tremendous progress on our other important commitments to our shareowners: improving our financial position, reducing costs and growing our earnings and cash flow.

The investments we're making require a tremendous amount of financial flexibility. To achieve that, we have aggressively pursued the sales of assets not critical to our core business. Over the past two years, we have sold our Universal Card operation, the AT&T Solutions Customer Care business, LIN Television Corp., SmarTone Telecommunications Holdings Limited, our submarine systems business and our AT&T Skynet Satellite Services business.

46%

Operational EPS increased 46% over 1997 as we cut costs.

These sales have enhanced our ability to focus on our core mission, but more importantly brought in more than $12 billion in cash. We used these cash inflows and the cash generated by our operations to fund our $8 billion capital expenditures, reduce our debt by $5.2 billion, and return value to our shareowners through $2.2 billion in dividends and a $3 billion share repurchase program. After all this, we exited the year with debt-net-of-cash of only 12% of total capital, down from 33% at the end of 1997. We have ample financial flexibility to absorb the debt carried by TCI and can borrow to meet future cash needs.

We made firm commitments in 1998 relative to our cost structure, and we delivered on them. We told our shareowners that we would reduce our SG&A expenses by $1.6 billion in 1998, and we achieved that target. We did it by attacking costs across the entire company, and by implementing an aggressive force-reduction plan under which we committed to reduce our headcount by 15,000 to 18,000 over two years. Largely as a result of a highly successful voluntary-retirement offer to management employees, we exceeded our target, reducing our headcount by approximately 20,000 in just one year, not including headcount reductions due to businesses sold.

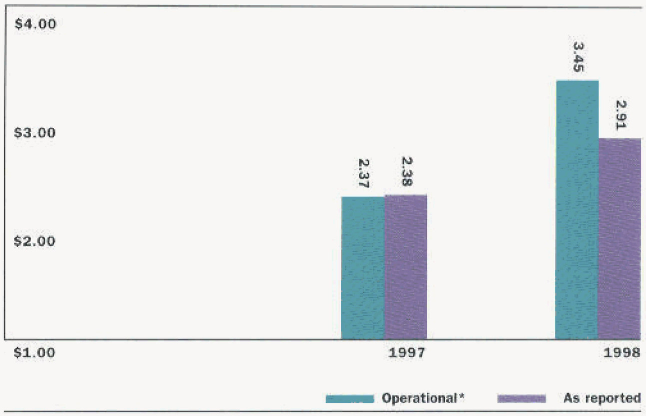
We have far more work to do in order to become the low-cost provider in the industry and achieve our target of a 23% SG&A to revenues ratio for 1999. However, the progress we've made has enabled us to be more competitive in the market with industry-leading price plans such as AT&T One Rate℠ Plus with 5-cent weekend minutes. It has allowed us to invest in growth opportunities such as a dial-around service, our prepaid card business, our AT&T Digital One Rate service and AT&T Personal Network offer. And a competitive cost structure will be critical to our success as we invest in our any-distance, broadband telephony and data efforts and as we increase our sales capabilities in business markets.

Declining costs have not only helped us in the market; they've helped AT&T deliver very strong financial results for our shareowners. We delivered earnings from continuing operations, excluding certain nonoperational charges and gains (discussed more fully under "Results of Operations"), of $3.45 per diluted share in 1998, an increase of 46% over 1997. We grew our earnings per diluted share on the same basis in excess of 40% in each of the last three quarters of the year. Our reported earnings from continuing operations per diluted share were $2.91, a 22% increase over 1997.

Our cash flow from operations also grew impressively to $10.2 billion in 1998, an increase of 20.2%. Excluding the nonoperational charges and gains, we generated just under $15 billion in EBITDA, growth of $3.7 billion, or 33%. We'll redeploy the cash our business produces in order to fuel our growth engines – broadband communications, local service for businesses, wireless, global and Internet services.

Income from Continuing Operations per Diluted Share

Dollars



*Excludes certain nonoperational items.

There's a lot more to the AT&T story of 1998, as described in the paragraphs below. But 1998 was only the beginning. We identified the path we are taking into the future, and now we must execute and continue to deliver on our commitments in order to stay on course.

Overview

AT&T is among the world's communications leaders, providing voice, data and video telecommunications services to large and small businesses, consumers and government agencies. We provide regional, domestic, international, local and Internet communication transmission services, including cellular telephone and other wireless services. In support of these services, we segment our results by primary lines of business: business services, consumer services and wireless services. A fourth category, other and corporate, includes the results of our other smaller units and corporate cost centers. Results are discussed for these four categories as well as for consolidated AT&T. Additionally, we supplementally discuss local services, new wireless services, AT&T Solutions, AT&T WorldNet℠ and other online services, and international operations and ventures.

Business Services

Our business services segment offers a variety of long distance voice and data services to business customers, including domestic and international, inbound and outbound, inter- and intra-LATA toll services, calling card and operator-handled services, and other network enabled services. In addition, this segment provides local services, and Web hosting and other electronic-commerce services.

Consumer Services

Our consumer services segment provides long distance services to residential customers, including domestic and international long distance services, inter- and intra-LATA toll services, calling card and operator-handled calling services, and prepaid calling cards. In addition, local service is offered on a limited basis.

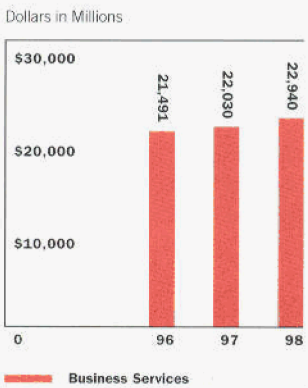
Wireless Services

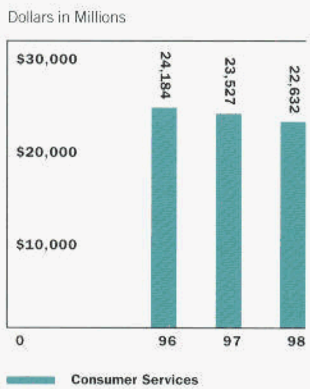
Our wireless services segment offers wireless services and products to customers in 850 MHz markets and newer 1900 MHz markets as well as wireless data. This segment's results also include costs associated with the development of fixed-wireless technology, which, along with the results of the newer 1900 MHz markets and wireless data, are discussed as "new wireless services" within this document.

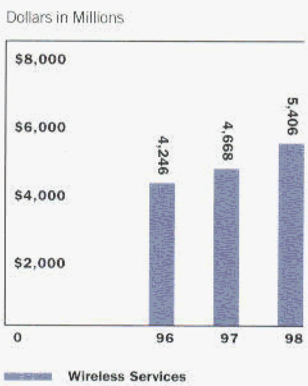
Other and Corporate

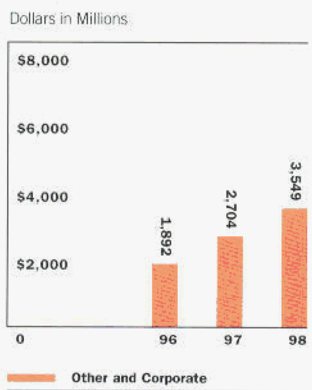
This group reflects the results of AT&T Solutions, our outsourcing, network-management and professional-services business, TCG (including their acquisition of ACC Corp. – "ACC" – in April 1998), international operations and ventures, AT&T WorldNet Service, our Internet access services business, and corporate overhead.

Revenues









The discussion of results includes revenues; earnings, including other income, before interest and taxes (EBIT); earnings, including other income, before interest, taxes, depreciation and amortization (EBITDA); capital additions and total assets.

AT&T calculates EBIT as operating income plus other income and is a measure used by our chief operating decision-makers to measure AT&T's consolidated operating results and to measure segment profitability. Interest and taxes are not allocated to our segments because debt is managed and serviced and taxes are managed and calculated on a centralized basis. Trends in interest and taxes are discussed separately on a consolidated basis. Management believes EBIT is a meaningful measure to disclose to investors because it provides investors with an analysis of operating results using the same measures used by the chief operating decision-makers of AT&T, provides a return on total capitalization measure, and allows investors a means to evaluate the financial results of each segment in relation to consolidated AT&T. Our calculation of EBIT may or may not be consistent with the calculation of EBIT by other public companies, and EBIT should not be viewed by investors as an alternative to generally accepted accounting principles (GAAP) measures of income as a measure of performance or to cash flows from operating, investing and financing activities as a measure of liquidity.

EBITDA is also used by management as a measure of segment performance and is defined as EBIT plus depreciation and amortization. We believe it is meaningful to investors as a measure of each segment's liquidity and allows investors to evaluate a segment's liquidity using the same measure that is used by the chief operating decision-makers of AT&T. Consolidated EBITDA is also provided for comparison purposes. Our calculation of EBITDA may or may not be consistent with the calculation of EBITDA by other public companies and should not be viewed by investors as an alternative to GAAP measures of income as a measure of performance or to cash flows from operating, investing and financing activities as a measure of liquidity. In addition, EBITDA does not take into effect changes in certain assets and liabilities which can affect cash flow.

The following discussion and analysis provides information management believes is relevant to an assessment and understanding of AT&T's consolidated results of operations for the years ended December 31, 1998, 1997 and 1996 and financial condition as of December 31, 1998 and 1997.

We completed the merger with TCG on July 23, 1998. Each share of TCG common stock was exchanged for 0.943 of AT&T common stock, resulting in an issuance of 181.6 million shares in the transaction. The merger was accounted for as a pooling of interests, and accordingly, AT&T's historical financial statements were restated to reflect the combined results of AT&T and TCG.

Forward-Looking Statements

Except for the historical statements and discussions contained herein, statements contained herein constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements concerning future operating performance, AT&T's share of new and existing markets, AT&T's short- and long-term revenues and earnings growth rates, and general industry growth rates and AT&T's performance relative thereto. These forward-looking statements rely on a number of assumptions concerning future events, including, but not limited to, requirements imposed on AT&T or latitude allowed to competitors by the Federal Communications Commission (FCC) or state regulatory commissions under the Telecommunications Act and other applicable laws and regulations; the successful technical, operational and marketing integration of cable and telephony services; and the ability to establish significant market presence in new geographic and service markets. These forward-looking statements are subject to a number of uncertainties and other factors, many of which are outside AT&T's control, that could cause actual results to differ materially from such statements. AT&T disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Results of Operations

Consolidated Results

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues			
Business services	$22,940	$22,030	$21,491
Consumer services	22,632	23,527	24,184
Wireless services	5,406	4,668	4,246
Other and corporate	3,549	2,704	1,892
Eliminations	(1,304)	(1,352)	(1,125)
Total revenues	$53,223	$51,577	$50,688

Revenues from continuing operations increased 3.2% to $53,223 million in 1998 compared with 1997, led by business services, primarily data services, and wireless services, primarily due to the success of our AT&T Digital One Rate service. Also contributing to revenue growth was growth from TCG, including ACC, and AT&T Solutions, which are included in the other and corporate group. Improvements in these areas were partially offset by continued declines in consumer long distance revenues and the reduced revenues due to the sale of AT&T Solutions Customer Care (ASCC). For 1998, total long distance services revenues (included in business services and consumer services) were essentially flat while calling volume increased 4.7% compared with 1997. Revenues by segment are discussed in more detail in the segment results section. We anticipate total revenues to grow in the range of 5%-7% in 1999, including the impact of our merger with TCI and our planned acquisitions of Vanguard Cellular Systems (Vanguard) and IBM's Global Network business all on a pro forma basis, that is assuming these businesses were part of AT&T in 1998 and 1999.

Total revenues in 1997 increased 1.8% compared with 1996 due to growth in data services revenues in business services and wireless services. In addition, AT&T Solutions, TCG, AT&T WorldNet Services and international operations and ventures, which are included in the other and corporate group, contributed to revenue growth. Declines in consumer long distance revenues partially offset this growth.

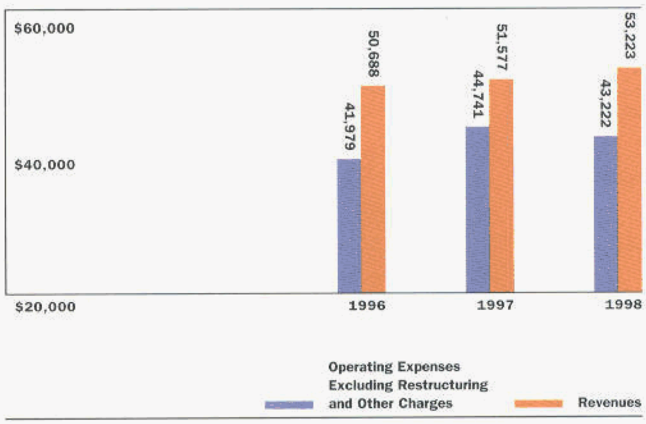
Eliminations reflect the elimination of revenues for services sold between units (e.g., sales of business long distance services to other AT&T units).

Operating Expenses

For the year, operating expenses totaled $45,736 million, an increase of 2.2%, from $44,741 million in 1997. In 1997, operating expenses increased 6.6% from $41,979 million in 1996. Operating expenses in 1998 included $2,514 million of restructuring and other charges as well as a benefit of $199 million from the adoption of Statement of Position (SOP) 98-1 (collectively, the 1998 net charges). Operating expenses in 1997 included a $160 million charge to exit the two-way messaging business and a $100 million benefit from the reversal of pre-1995 restructuring reserves (collectively, the 1997 net charges). Excluding the impact of the 1998 and 1997 net charges, operating expenses decreased 2.8% in 1998 compared with 1997 and increased 6.4% in 1997 compared with 1996.

Operating Expenses and Revenues

Dollars in Millions



$8 billion

Capital expenditures of $8 billion enhanced our networks and expanded our wireless footprint.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Access and other interconnection	$15,328	$16,350	$16,363

Access and other interconnection expenses are the charges we pay to connect calls on the facilities of local exchange carriers and other domestic service providers, and fees we pay foreign telephone companies (international settlements) to connect calls made to foreign countries on our behalf. These charges represent payments to these carriers for the common and dedicated facilities and switching equipment used to connect our network with theirs. In 1998, these costs declined $1,022 million, or 6.3%, reflecting FCC-mandated reductions in per-minute access rates which went into effect in July 1997 and January and July 1998, and lower international settlement rates resulting from increased competition. Additionally, we continue to manage these costs through more efficient network usage. These reductions were largely offset by increased per-line charges (Primary Interexchange Carrier Charges or PICC) and changes in the Universal Service Fund contribution resulting from FCC access reform, as well as volume increases. As many of these costs are a pass-through to the customer, per-minute access-rate reductions and increases in per-line charges and the Universal Service Fund will generally result in an offsetting impact on revenues.

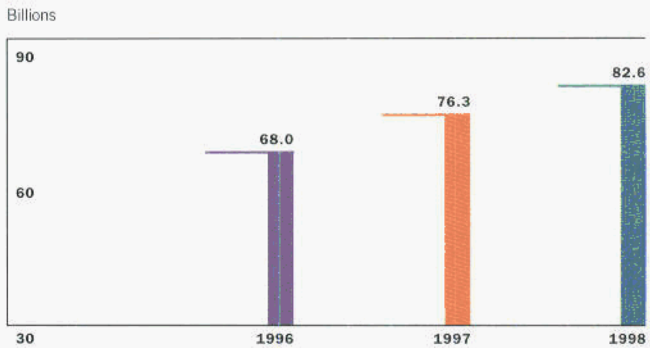
Access and other interconnection expenses remained essentially flat in 1997 compared with 1996, due to lower per-minute access costs, which are primarily the result of declines in international settlement rates and access-charge reform mandated by the FCC effective for the second half of 1997. Interstate and intrastate tariff reductions, changes in traffic mix and network planning also contributed to the lower per-minute access costs. These decreases were partially offset by volume growth and a beneficial second quarter 1996 accounting adjustment of previously estimated accruals to reflect actual billing.

Access and other interconnection expenses were 33.8% of long distance revenues in 1998, 35.9% in 1997 and 35.8% in 1996. We expect this percentage to continue to decline over time as we realize synergies from our merger with TCG.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Network and other communications services	$10,250	$ 9,739	$ 8,262

Network and other communications services expenses include the costs of operating and maintaining our network, the provision for uncollectible receivables, the costs of wireless handsets sold, compensation to pay-phone operators, operator services and non-income-related taxes. These costs increased $511 million, or 5.2%, in 1998, compared with 1997. This increase was largely attributable to increases in wireless services due to intercarrier roaming charges and cost of handsets sold as a result of the success of AT&T Digital One Rate service. The increase in cost of handsets reflects not only the higher number of handsets sold, but the increased cost of the unit as customers migrate or sign up for digital service. Growth in our AT&T Solutions and local businesses, as well as increased data traffic on the AT&T network also contributed to the increase. Partially offsetting these increases was a lower provision for uncollectible receivables as a result of improved collections in business services, lower network cost of services as a result of the sale of ASCC in the first quarter of 1998, and the impact of the 1997 two-way messaging charge, half of which was recorded in network and other communications services expense.

Number of Calls on the Network



Network and other communications services expenses increased $1,477 million, or 17.9%, in 1997, compared with 1996. In 1997, we invested heavily in growth businesses such as AT&T Solutions, AT&T WorldNet Services, local services and new wireless services. Approximately half of the increase in 1997 was due to costs associated with these growth businesses. The remaining increase was primarily driven by FCC-mandated compensation to pay-phone operators and the increased number and cost of wireless handsets sold.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Depreciation and amortization	$ 4,629	$ 3,982	$ 2,819

Depreciation and amortization expenses increased $647 million, or 16.2%, in 1998. This increase was driven by continued high levels of capital expenditures in 1998 and 1997. Gross capital expenditures for the year were $8.0 billion and $7.7 billion in 1998 and 1997, respectively. More than half of the capital expenditures in 1998 were related to the long distance network, including the completion of the initial SONET (Synchronous Optical Network) build-out. These expenditures expanded network capacity,

24.5%

24.5% SG&A to revenues for 1998, from 28.4% in 1997, reflecting cost-control initiatives.

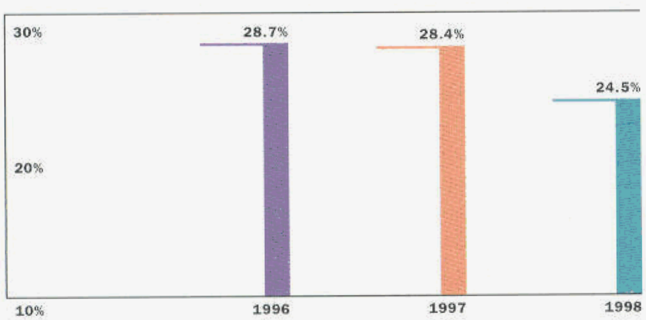
reliability and efficiency. In addition, we invested in our local network to expand our switching and transport capacity and invested to expand our wireless footprint. We expect depreciation and amortization expenses to continue to increase in 1999 as we focus our spending on growth areas such as data and IP networking, wireless and business local.

Depreciation and amortization expenses increased $1,163 million, or 41.3%, in 1997. The increase was driven by continued high levels of capital expenditures, including the impact of purchasing assets at retail from Lucent Technologies Inc. (Lucent), subsequent to its spin-off. The 1997 expenditures were primarily for our long distance and wireless networks, including the deployment of SONET. We also invested substantial capital in building our capability for local service and AT&T WorldNet Service.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Selling, general and administrative	$13,015	$14,670	$14,535

Selling, general and administrative (SG&A) expenses decreased $1,655 million, or 11.3%, in 1998 compared with 1997. The decrease was due primarily to savings from cost-control initiatives such as headcount reductions. In 1998, we adopted SOP 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Among other provisions, the SOP requires capitalization of certain internal-use software costs once certain criteria are met. The impact of adopting this SOP was a reduction of SG&A expenses of $221 million in 1998. Also contributing to the decrease in SG&A expenses was a decline in marketing and sales costs relating to lower customer-acquisition costs in consumer services. These declines were partially offset by increases in wireless customer acquisition and migration costs and increased costs associated with the year 2000 initiative. SG&A expenses as a percent of revenues were 24.5%, including the benefit of adopting SOP 98-1, in 1998, 28.4% in 1997 and 28.7% in 1996.

SG&A as a Percent of Revenues



The reduced level of expenses reflects AT&T's efforts to achieve a best-in-class cost structure. Excluding the impact of TCG and the benefit associated with SOP 98-1, SG&A expenses declined $1,602 million in 1998, reflecting AT&T's successful achievement of its target to remove $1.6 billion of SG&A expenses (excluding TCG) from the business in 1998. Our efforts to achieve a best-in-class cost structure will continue as we have targeted a ratio of SG&A expenses to revenues of 23% overall and 21% excluding the local and wireless businesses for 1999.

SG&A expenses increased $135 million, or 0.9%, in 1997. We increased spending on growth businesses such as local and new wireless services as well as spending on transitory projects such as preparation of our systems for year 2000. In addition, SG&A expenses increased due to higher retention and acquisition costs in core wireless markets. These increases were partially offset by lower advertising expenses across AT&T, lower acquisition costs in consumer markets – primarily a reduction in the use of checks to acquire customers, and lower marketing and sales expenses in business markets.

Also included in SG&A expenses were $662 million, $851 million and $822 million of research and development expenses in 1998, 1997 and 1996, respectively. Research and development expenditures are mainly for work on advanced communications services and projects aimed at IP services. The decline in research and development expenses in 1998 is mainly due to the redeployment of resources in support of the year 2000 project. These expenses are still a component of SG&A, but, are not classified as research and development expenses.

Restructuring and other charges During 1998, we recorded restructuring and other charges of $2,514 million, which had an approximate $0.88 impact on earnings per diluted share. The bulk of the charge was associated with a plan, announced on January 26, 1998, to reduce headcount by 15,000 to 18,000 over two years as part of our overall cost-reduction program. In connection with this plan, a voluntary retirement incentive program (VRIP) was offered to eligible management employees. Approximately 15,300 management employees accepted the VRIP offer and as of December 31, 1998, 14,700 have terminated employment. In 1999, the remaining 600 VRIP participants will terminate employment. A restructuring charge of $2,724 million recorded in the second quarter of 1998 was composed of $2,254 million and $169 million for pension and postretirement special-termination benefits, respectively, $263 million of curtailment losses and $38 million of other administrative costs. We also recorded charges of $125 million for related facility costs and $150 million for executive-separation costs. These charges were partially offset by $940 million of gains recorded in the second half of 1998 as we settled pension benefit obligations of 13,700 of the total VRIP employees. In addition, the VRIP charges were partially offset by the reversal of $256 million of 1995 business restructuring reserves primarily resulting from the overlap of VRIP on certain 1995 projects.

During 1998, AT&T recorded asset impairment charges totaling $718 million, of which $633 million was associated with the local initiative. Included in this $633 million were charges of $601 million and $32 million recorded in the first and fourth quarters of 1998, respectively, related to our decision not to pursue Total Service Resale (TSR) as a local-service strategy. The Regional Bell Operating Companies have made it extremely difficult to enter the local market under a TSR strategy. After spending several billions of dollars in an attempt to enter this market, it became clear to AT&T that the TSR solution is not economically viable. The $633 million charge includes a $543 million write-down of software, $74 million write-down of related assets associated with the ordering, provisioning and billing for resold local services and $16 million for certain contractual obligations and termination penalties under several vendor contracts that were canceled during the first quarter as a result of this decision. AT&T received no operational benefit from these contracts once this decision was made. Also reflected in the $718 million charge was a fourth-quarter asset impairment charge of $85 million related to the write-down of unrecoverable assets in certain international operations in which the carrying value is no longer supported by future cash flows. This charge was made in connection with an ongoing review associated with the upcoming formation of a global joint venture with BT, which will require AT&T to exit certain operations that compete directly with BT.

Additionally, an $85 million charge for merger-related expenses was recorded in the third quarter of 1998 in connection with the TCG pooling.

Partially offsetting these charges in the fourth quarter of 1998 was a $92 million reversal of the 1995 restructuring reserve. This reversal reflects reserves that were no longer deemed necessary. The reversal primarily included separation costs attributed to projects completed at a cost lower than originally anticipated. Consistent with the three-year plan, the 1995 restructuring initiatives are substantially complete.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Other income - net	$ 1,247	$ 443	$ 405

Other income – net increased $804 million, or 180.9%, in 1998 due primarily to significantly higher gains on sales of nonstrategic businesses as well as increased interest income on our higher cash balance. In 1998, we recorded gains from the sales of ASCC of $350 million, LIN Television Corp. (LIN-TV) of $317 million and SmarTone Telecommunications Holdings Limited (SmarTone) of $103 million. The increase associated with these 1998 gains was partially offset by lower earnings from equity investments and a gain in 1997 on the sale of AT&T Skynet Satellite Services (Skynet) of $97 million.

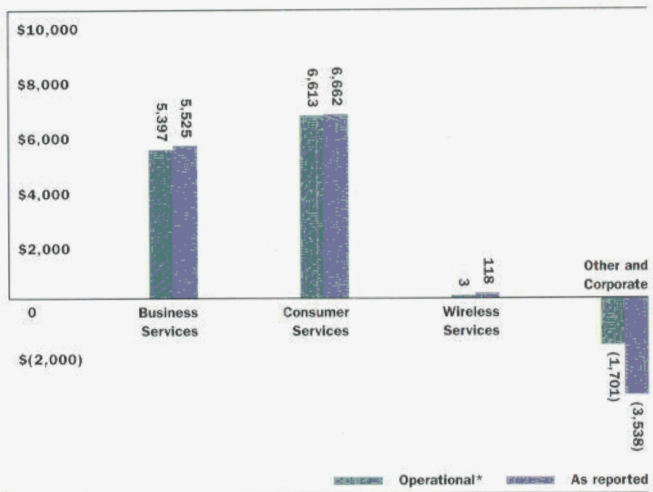
Other income - net increased $38 million, or 9.4%, in 1997. The increase was primarily associated with the gain on the sale of Skynet in 1997, partially offset by a decrease in gains on sales and exchanges of cellular investments.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
EBIT	$ 8,734	$ 7,279	$ 9,114

EBIT increased $1,455 million, or 20.0%, in 1998. Excluding the impact of the 1998 and 1997 net charges and gains, EBIT for 1998 was $10,279 million, an increase of $3,037 million, or 41.9%, compared with 1997. This increase in EBIT was driven by higher revenues, the benefit of our SG&A cost-cutting initiatives and lower international settlement rates.

1998 EBIT

Dollars in Millions



*Excludes certain nonoperational items.

EBIT for 1997 decreased $1,835 million, or 20.1%, due to our 1997 investment in growth businesses and higher levels of depreciation and amortization associated with an increased level of capital spending including the impact of purchasing assets at retail from Lucent, subsequent to its spin-off.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Interest expense	$ 427	$ 307	$ 417

After the sale of Universal Card Services (UCS) on April 2, 1998, interest expense associated with debt previously attributed to UCS was reclassified from discontinued operations to continuing operations since we did not retire all of this debt. This reclassification is the primary reason for the $120 million, or 38.9%, increase in interest expense in 1998. In August 1998, we retired $1,046 million of TCG's debt early, which will produce significant savings in

future interest expense. However, we anticipate interest expense to increase in 1999 as we fund announced acquisitions and ventures.

Interest expense decreased $110 million, or 26.4%, in 1997 due to lower levels of average debt and a higher proportion of capitalized interest partially offset by higher average interest rates on debt. Average debt was higher in 1996 due to the additional debt associated with Lucent, prior to the assumption by Lucent of such debt in April 1996. We capitalized a greater proportion of our interest expense in 1997 primarily due to higher qualifying assets for our local initiative.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Provision for income taxes	$ 3,072	$ 2,723	$ 3,239

The effective income tax rate is the provision for income taxes as a percentage of income from continuing operations before income taxes. The effective income tax rate was 37.0% in 1998, 39.0% in 1997 and 37.2% in 1996. The lower effective tax rate in 1998 is due to the tax benefits of certain investment dispositions and foreign legal entity restructurings. The higher effective tax rate in 1997, compared with 1996, is due to 1996 tax benefits associated with various legal entity restructurings.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Income from continuing operations	$ 5,235	$ 4,249	$ 5,458

Income from continuing operations increased $986 million, or 23.2%, in 1998 due primarily to the benefit of our SG&A cost-cutting initiatives, higher revenues, lower international settlement rates and gains on sales of nonstrategic businesses, partially offset by the impact of restructuring and other charges. Income from continuing operations on a diluted per share basis was $2.91, $2.38 and $3.09 for the years ended December 31, 1998, 1997 and 1996, respectively. Excluding the after-tax impacts of the 1998 and 1997 net charges and gains, 1998 income from continuing operations increased $1,979 million, or 46.8%, compared with 1997. This translates into an earnings per diluted share of $3.45, an increase of $1.08, or 45.6%, over 1997. We expect 1999 earnings per diluted share to be in the range of $4.20 to $4.30, excluding the impact of the merger with TCI and a planned stock split and share repurchase.

Income from continuing operations decreased $1,209 million, or 22.2%, in 1997. Increased dilution from investment in growth businesses, and lower earnings from our other, more mature businesses, due primarily to higher levels of depreciation and amortization, contributed almost equally to the decline.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Discontinued Operations:			
Income from discontinued operations	$ 10	$ 100	$ 173
Gain on sale of discontinued operations	1,290	66	162

Pursuant to Accounting Principles Board Opinion No. 30 "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (APB 30) the consolidated financial statements of AT&T reflect the dispositions of UCS which was sold on April 2, 1998, the sale of AT&T's submarine systems business (SSI) on July 1, 1997, and the sale of AT&T Capital Corp. on October 1, 1996, as discontinued operations. In addition, discontinued operations included the results of Lucent and NCR Corp., spun-off on September 30, 1996 and December 31, 1996, respectively. Accordingly, the revenues, costs and expenses, assets and liabilities, and cash flows of these businesses have been excluded from the respective captions in the Consolidated Statements of Income, Consolidated Balance Sheets and Consolidated Statements of Cash Flows, and have been reported through their respective dates of disposition as "Income from discontinued operations, net of applicable income taxes;" as "Net assets of discontinued operations;" and as "Net cash provided by (used in) discontinued operations." As of December 31, 1998, all businesses previously reported as discontinued operations have been disposed of. Gains associated with these sales are recorded as "Gains on sale of discontinued operations."

In August 1998, AT&T extinguished $1,046 million of TCG's debt. The $217 million pretax loss on the early extinguishment of debt was recorded as an extraordinary loss. The after-tax impact was $137 million, or $0.08 per diluted share. This debt reduction will produce significant savings in future interest expense.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Net income	$ 6,398	$ 4,415	$ 5,793

Net income increased $1,983 million, or 44.9%, in 1998 due primarily to the gain on the sale of UCS and increased income from continuing operations. Earnings per diluted share were $3.55, $2.47 and $3.28 for the years ended December 31, 1998, 1997 and 1996, respectively.

$5 billion

Acquisition of IBM's global network for $5 billion expands our global business.

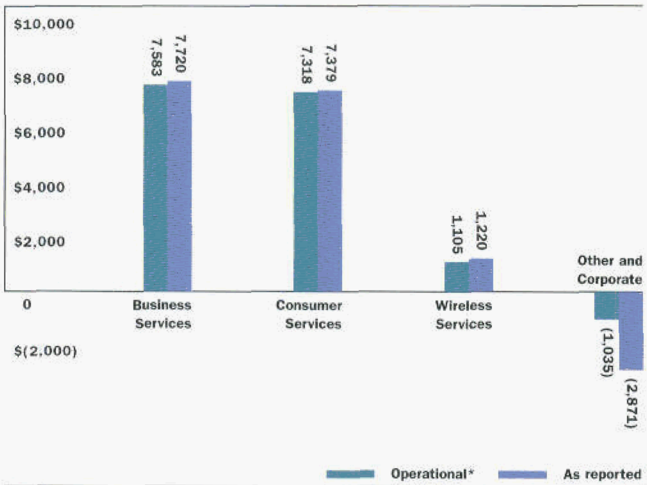
Net income decreased $1,378 million, or 23.8%, in 1997 due to lower income from continuing operations as discussed above.

Segment Results

AT&T's results are segmented as follows: business services, consumer services and wireless services. A fourth category, identified as other and corporate, includes the results of AT&T Solutions, TCG, international operations and ventures, AT&T WorldNet Service, and corporate overhead. The results of these groups plus the impact of the elimination of internal business sum to AT&T's consolidated results. The following is a discussion of revenues, EBIT, EBITDA, capital additions and total assets for each of the segments, the other and corporate group, as well as supplemental information on local services, new wireless services, AT&T Solutions, AT&T WorldNet and other online services, and international operations and ventures.

1998 EBITDA

Dollars in Millions



*Excludes certain nonoperational items.

Reflecting the dynamics of our business, we are reviewing our management model and structure which will result in adjustments to our segment discussion during 1999. While this is an evolving process, we anticipate changes as follows: The business services segment will be expanded to include the results of TCG and the business portion of AT&T WorldNet, and the consumer services segment will be expanded to include the residential portion of AT&T WorldNet.

AT&T calculates EBIT as operating income plus other income and is a measure used by our chief operating decision-makers to measure AT&T's consolidated operating results and to measure segment profitability. Interest and taxes are not allocated to our segments because debt is managed and serviced and taxes are managed and calculated on a centralized basis. Trends in interest and taxes are discussed separately on a consolidated basis. Management believes EBIT is a meaningful measure to disclose to investors because it provides investors with an analysis of operating results using the same measures used by the chief operating decision-makers of AT&T, provides a return on total capitalization measure, and it allows investors a means to evaluate the financial results of each segment in relation to consolidated AT&T. Our calculation of EBIT may or may not be consistent with the calculation of EBIT by other public companies and EBIT should not be viewed by investors as an alternative to GAAP measures of income as a measure of performance or to cash flows from operating, investing and financing activities as a measure of liquidity.

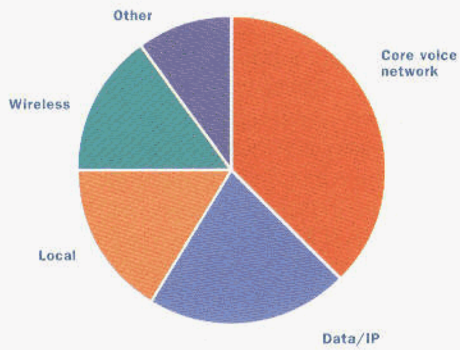
EBITDA is also used by management as a measure of segment performance and is defined as EBIT plus depreciation and amortization. We believe it is meaningful to investors as a measure of each segment's liquidity and allows investors to evaluate a segment's liquidity using the same measure that is used by the chief operating decision-makers of AT&T. Consolidated EBITDA is also provided for comparison purposes. Our calculation of EBITDA may or may not be consistent with the calculation of EBITDA by other public companies and should not be viewed by investors as an alternative to GAAP measures of income as a measure of performance or to cash flows from operating, investing and financing activities as a measure of liquidity. In addition, EBITDA does not take into effect changes in certain assets and liabilities which can affect cash flow.

Total assets for each segment include all assets, except interentity receivables. Deferred taxes, prepaid pension assets, and corporate-owned or leased real estate are generally held at the corporate level and therefore are included in the other and corporate group. Shared network assets are allocated to the segments and reallocated each January, based on the prior three years' volumes of minutes used.

$22.9 billion

Business services revenues of $22.9 billion increased 4.1% over 1997, led by growth in data services.

1998 Capital Spending by Category



Business Services

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$22,940	$22,030	$21,491
EBIT	5,525	4,592	5,215
EBITDA	7,720	6,349	6,313
Capital additions	4,978	4,085	2,538

At December 31,	1998	1997
Total assets*	$18,077	$15,030

* Includes allocated shared network assets of $12,442 and $10,246 at December 31, 1998 and 1997, respectively.

Revenues Business services revenues rose $910 million, or 4.1%, in 1998, led by mid-teens growth in data services revenues. Adjusting for the 1997 sales of Skynet and AT&T Tridom, revenues grew 4.4%. Data services, which is the transport of data rather than voice along our network, was led by strong growth in frame relay and high-speed private line, both of which are high-speed-data transmission services. Long distance voice-related revenues were essentially flat for the year despite high single-digit growth in volumes. This reflects a declining average price per minute which was driven by competitive forces as well as changes in product mix. Revenues also were impacted by reductions in access costs which were passed to customers in the form of lower rates. We anticipate total business services revenues to grow between 7% and 9% in 1999 as a result of continued growth in data as well as local and wholesale services.

Business services revenues grew $539 million, or 2.5%, in 1997. Adjusting for the sales of Skynet and AT&T Tridom, revenues grew 3.3% in 1997. Strong growth in revenues from data services – frame relay and other emerging services as well as private line – drove the increase in business revenues. Long distance voice-services revenues declined slightly, while volumes grew in the mid-teens. Revenues from long distance voice were impacted by pricing pressure brought on by a number of factors. Many voice-service contracts were renegotiated during 1997 due to uncertainty surrounding the possibility of detariffing and competitive pressure. Also, reductions in access costs were passed to customers in the form of lower rates, further impacting revenue growth.

EBIT/EBITDA EBIT increased $933 million, or 20.3%, and EBITDA increased $1,371 million, or 21.6%, in 1998. Excluding the 1998 benefit from the adoption of SOP 98-1 and the 1997 gain on the sale of Skynet, EBIT increased 20.1% to $5,397 million and EBITDA increased 21.3% to $7,583 million. The increases were driven by growth in revenues and the benefits reaped from AT&T's companywide cost-cutting initiatives. In particular, streamlining of customer-care and sales-support functions, including significant headcount reductions, contributed to the increases. The impact of these items on EBIT were partially offset by increased depreciation and amortization expense correlated to the continued high levels of capital additions.

EBIT decreased $623 million, or 12.0%, in 1997 reflecting increased depreciation and amortization expense from capital spending in the second half of 1996 and throughout 1997 and FCC-mandated pay-phone compensation costs which began in 1997. These increases were partially offset by decreased SG&A expenses and the gain on the sale of Skynet. Excluding the Skynet gain, EBIT decreased 13.8%. EBITDA increased $36 million, or 0.6%, in 1997, reflecting decreases in SG&A and the gain on the sale of Skynet, partially offset by FCC-mandated pay-phone compensation costs. Excluding the impact of the Skynet gain, EBITDA decreased 1.0%.

Other Items Capital additions increased $893 million, or 21.8%, in 1998 and increased $1,547 million, or 61.0%, in 1997 due to an increase in the allocation of shared network assets. Capital spending reflects business services' portion of AT&T's investment to enhance our network (including the data network), and spending on AT&T's Digital Link product for local service.

Total assets increased $3,047 million, or 20.3%, at December 31, 1998, compared with December 31, 1997. The increase was primarily due to net increases in property, plant and equipment (additions less depreciation), and an increase in the allocation of shared network assets due to higher business volumes as a percentage of total volumes.

30.8%

Consumer services EBIT increased 30.8% to $6.7 billion, reflecting SG&A savings.

Consumer Services

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$22,632	$23,527	$24,184
EBIT	6,662	5,094	5,345
EBITDA	7,379	5,883	5,982
Capital additions	457	921	1,867

At December 31,	1998	1997
Total assets*	$ 6,252	$ 7,923

* Includes allocated shared network assets of $2,921 and $4,168 at December 31, 1998 and 1997, respectively.

Revenues Revenues fell $895 million, or 3.8%, in 1998 on a low single-digit decline in volume. The decline in revenues reflected the impact of AT&T's strategy to focus on high-value customers and actively migrate them to optional calling plans that provide more favorable pricing for the customer. In addition to the impact of this migration strategy, revenues continued to be pressured by competition in domestic and international long distance markets, including the impact of dial-around competitors, as well as the flow-through of access-charge reductions to customers. We expect revenues to continue to decline in 1999 in the range of 2%-4%.

Revenues in 1997 declined $657 million, or 2.7%, due to a number of strategic choices intended to improve profitability. For instance, we accelerated the use of free minutes as a customer incentive in 1997, increasingly using them in place of checks. Since free minutes are classified as a deduction from revenues, while checks are a component of SG&A expense, our move toward free minutes served to reduce revenue growth. Also impacting revenues were the effects of flowing savings from access reform through to customers, resulting in lower prices and the migration of customers to more-favorable calling plans. Partially offsetting the declines was growth in intra-LATA, or local-toll services.

EBIT/EBITDA For the year ended December 31, 1998, EBIT increased $1,568 million, or 30.8%, and EBITDA increased $1,496 million, or 25.4%. These increases were driven primarily by reduced SG&A expenses. SG&A expense declines are primarily due to AT&T's continued focus on high-value customers which has led to lower spending for customer acquisition and retention. Simplification and consolidation of marketing messages has also generated substantial efficiencies, and consumer services has increased its use of alternate, more efficient distribution channels. For example, One Rate Online offers activation, customer care and billing over the Internet with payment via credit card. EBIT and EBITDA were also positively impacted by lower international settlement rates. Excluding the 1998 benefit from the adoption of SOP 98-1, EBIT increased 29.8% to $6,613 million and EBITDA increased 24.4% to $7,318 million compared with 1997.

EBIT and EBITDA decreased $251 million, or 4.7%, and $99 million, or 1.7%, respectively in 1997. These declines were due to lower revenues primarily associated with the use of free minutes as a retention tool and higher network and other communications services expenses due primarily to a higher provision for uncollectibles and FCC-mandated pay-phone compensation expense which began in 1997. Partially offsetting the reductions to EBIT and EBITDA were lower international settlement rates and reductions in SG&A expenses, due primarily to lower acquisition costs.

Other Items Capital additions declined $464 million, or 50.3%, and total assets decreased $1,671 million, or 21.1%, at December 31, 1998, due primarily to a decrease in the allocation of shared network assets due to lower consumer volumes to total volumes. Capital additions in 1997 declined $946 million, or 50.7%, also due to a decrease in the allocation of shared network assets.

Wireless Services

Total Wireless Services

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$ 5,406	$ 4,668	$ 4,246
EBIT	118	265	627
EBITDA	1,220	1,227	1,348
Capital additions	2,372	2,158	2,404

At December 31,	1998	1997
Total assets	$19,341	$18,850

Core Wireless Services

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$ 5,007	$ 4,642	$ 4,238
EBIT	653	824	797
EBITDA	1,563	1,653	1,496
Capital additions	1,850	820	1,316

At December 31,	1998	1997
Total assets	$14,843	$14,433

New Wireless Services

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$ 399	$ 26	$ 8
EBIT	(535)	(559)	(170)
EBITDA	(343)	(426)	(148)
Capital additions	522	1,338	1,088

At December 31,	1998	1997
Total assets	$ 4,498	$ 4,417

Wireless services is presented in total and as "core" and "new" wireless services. New wireless services includes the impact of the new 1900 MHz markets, wireless data, two-way messaging and fixed wireless development. All other wireless results, primarily services from the 850 MHz markets, are reflected as core services.

Revenues Wireless services revenues grew $738 million, or 15.8%, in 1998. Adjusting for the October 1998 sale of our messaging business, 1998 revenues increased 17.2% compared with 1997. The increase was driven by the overwhelming response to AT&T's Digital One Rate service and a full-year impact in 1998 of the launch of eight new 1900 MHz markets in the second half of 1997. AT&T Digital One Rate service, which was rolled out in May 1998, was the first national, one-rate wireless-service plan that eliminates separate roaming and long distance charges.

AT&T Digital One Rate service is one key element of our ongoing efforts to acquire and retain high-value customers. Since the program's launch, more than 850,000 subscribers have signed on to this service. AT&T has continued to add customers at a rate of approximately 100,000 per month and about three quarters of these customers are new to AT&T. In AT&T's 850 MHz markets, average revenue per user (ARPU) was $56.60, a decline of 5.2% compared with 1997. However, in the fourth quarter ARPU increased 1.3% over the prior year's quarter compared with quarter-over-quarter declines of 10.8%, 7.6% and 3.9% in the first, second and third quarters of 1998, respectively. AT&T Digital One Rate service was partially responsible for the slowdown in the decline of ARPU. Minutes of use per average subscriber increased within our 850 MHz markets to a 57.6% growth rate over the fourth quarter of 1997, well above the 4.5%, 16.1% and 36.2% growth rates achieved in the first, second and third quarters of 1998, respectively. For the full year, minutes of use per average subscriber increased 29.5% compared with 1997.

AT&T Digital One Rate service is also a key element of our wireless strategy to migrate customers to digital service, which generates greater network efficiencies and improves customer retention. As of December 31, 1998, we had 7.198 million consolidated subscribers, an increase of 20.7% from December 31, 1997. Digital subscribers represent 60.5% of the consolidated subscribers, up from 52.7% one quarter ago and up from 29.3% at December 31, 1997. Including partnership markets (markets where AT&T has or shares a controlling interest), 5.1 million of the total 9.7 million customers were digital subscribers on December 31, 1998. We expect the success of AT&T Digital One Rate service to contribute to continued revenue growth and we estimate wireless services revenues will grow in the high teens for 1999.

Wireless services revenues increased $422 million, or 9.9%, in 1997. This includes revenues from AT&T's new 1900 MHz markets although the impact on the annual growth rate was minimal. Adjusted for the impact of wireless properties disposed of in December 1996, the 1997 revenue growth rate would have been 12.5%. The revenue growth was driven by consolidated subscriber growth of 18.5% in 1997.

EBIT/EBITDA EBIT decreased $147 million, or 55.3%, and EBITDA decreased $7 million, or 0.5%, in 1998. Excluding the impacts of the 1998 gain on the sale of SmarTone, the adoption of SOP 98-1 and the 1997 charge to exit the two-way messaging business, EBIT decreased 99.2% to $3 million, and EBITDA decreased 15.4% to $1,105 million, compared with 1997.

Core EBIT decreased $171 million, or 20.8%, and core EBITDA decreased $90 million, or 5.4%, in 1998. Excluding the impact of the 1998 gain on the sale of SmarTone and the adoption of SOP 98-1, core EBIT declined $286 million, or 34.7%, and core EBITDA declined $205 million, or 12.4%. This decrease in core EBIT and EBITDA for 1998, compared with 1997, reflects higher intercarrier roaming charges due to increased volume, and lower equity earnings. The decline in EBIT and EBITDA was also due to higher subscriber-acquisition and digital-migration costs which is linked to the growth in the subscriber base as the cost per gross subscriber addition declined 2.8% in 1998. In addition, declines in EBIT were due in part to increased depreciation and amortization expense associated with capital additions. This was partially offset by growth in revenues.

Core EBIT increased $27 million, or 3.5%, and core EBITDA increased $157 million, or 10.5%, in 1997 compared with 1996. These increases are due to the net impact of a growing subscriber base – higher revenues partially offset by increased SG&A. In addition, EBIT was impacted by increased depreciation and amortization expenses associated with the higher asset base.

The EBIT deficit for new wireless services decreased $24 million, an improvement of 4.3% over 1997 and the EBITDA deficit declined $83 million, an improvement of 19.5%. Excluding the impact of the 1997 charge to exit the two-way messaging business, EBIT for new wireless services decreased 34.0% and EBITDA increased 0.9% in 1998 compared with 1997. The decline in new wireless services EBIT for 1998 was due to increased acquisition costs relating to the roll out of nine new markets in 1997, higher intercarrier roaming charges due to increased volume, and increased depreciation and amortization expense due to the significant level of capital spending in 1997. These increased costs were partially offset by the revenues generated in the new markets and increased other income due to gains on sales of 1900 MHz properties.

17.2%

Wireless services revenues grew 17.2% annually and 30.4% in the fourth quarter, adjusted.

EBIT and EBITDA deficits for new wireless services increased 229.1% and 188.7%, respectively, in 1997 compared with 1996. Excluding the impact of the 1997 two-way messaging charge, the 1997 EBIT deficit grew to $399 million, an increase of 135.0%, and the 1997 EBITDA deficit increased to $346 million, an increase of 134.5%, compared with 1996. The increase to these losses was due to continued investment in the 1900 MHz markets and reflects the cost to roll out nine new markets in 1997.

Other Items Capital additions increased $214 million in 1998. Capital additions in 1998 were directed primarily at expanding coverage in the core, traditional markets since the build-out of the 1900 MHz markets was substantially completed in 1997.

Total assets increased $491 million from December 31, 1997. This increase was due primarily to the impact of increased investments in nonconsolidated subsidiaries and increased accounts receivables due to growth in revenues. These increases were partially offset by declines in licenses as certain licenses were contributed as part of our investment in nonconsolidated subsidiaries.

Other and Corporate

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$ 3,549	$ 2,704	$ 1,892
EBIT	(3,538)	(2,665)	(2,201)
EBITDA	(2,871)	(2,125)	(1,776)
Capital additions	1,771	1,519	710
At December 31,	1998	1997	
Total assets	$15,880	$18,191	

Revenues Revenues increased $845 million, or 31.2%, in 1998. This revenue growth was primarily due to increases in TCG, including the impacts of ACC (which was a 1998 acquisition by TCG), AT&T Solutions, international operations and ventures and AT&T WorldNet Service partially offset by a decrease in revenues due to the sale of ASCC.

Revenues for other and corporate increased $812 million, or 43.0%, in 1997, primarily due to increases in AT&T Solutions outsourcing revenues, as well as revenues from TCG, AT&T WorldNet Service and international operations and ventures.

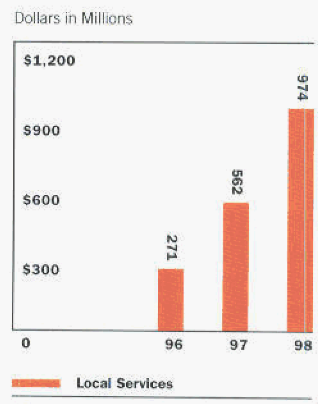
EBIT/EBITDA The EBIT deficit increased $873 million, or 32.8%, in 1998 and the EBITDA deficit increased $746 million, or 35.2%, over 1997. Excluding the impact of the 1998 net charges on the other and corporate units, the gains from the sales of LIN-TV and ASCC and the 1997 restructuring reserve reversal, 1998 EBIT improved $1,064 million, or 38.4%, to a loss of $1,701 million and 1998 EBITDA improved $1,190 million, or 53.4%, to a loss of $1,035 million compared with 1997. These operational improvements were due primarily to higher interest income associated with a higher cash balance and lower corporate overhead due to headcount reductions and lower employee benefit costs.

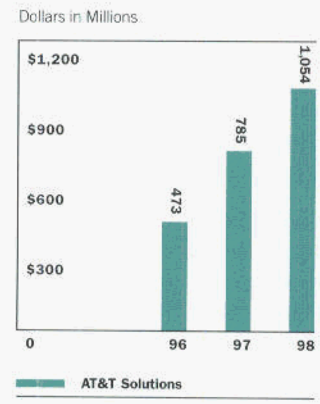
In addition, EBIT and EBITDA from international operations and ventures, excluding a 1998 charge, and AT&T Solutions improved as discussed below. The increased EBIT and EBITDA deficits in 1997 compared with 1996 were due primarily to increased dilution from our growth businesses.

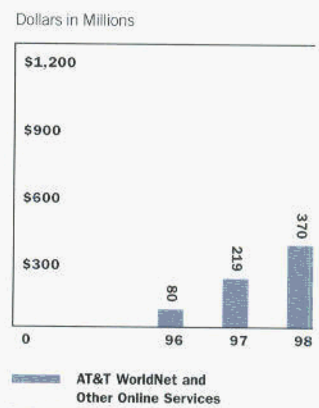
Other Items Capital additions increased $252 million, or 16.8%, in 1998 driven by TCG and AT&T Solutions. These increases were partially offset by a decrease in international operations and ventures due primarily to a decrease in investments in nonconsolidated subsidiaries. In 1997, capital additions increased $809 million, or 113.5%, due primarily to increased spending in international operations and ventures and TCG.

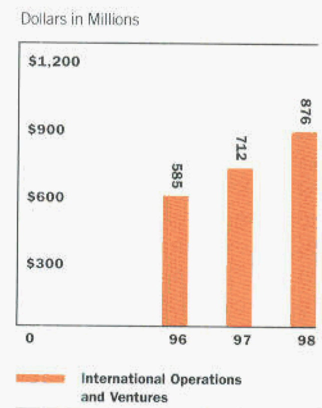
Total assets decreased $2,311 million at December 31, 1998, due primarily to the use of proceeds from the settlement of the UCS receivable to pay down debt, partially offset by the acquisition of ACC.

Supplemental Revenue Disclosures









$1.1 billion

AT&T Solutions surpassed $1 billion in revenues in 1998 due to new contracts signed during the year.

Supplemental Disclosures

Local Services

Local services for business and residential customers are included as part of AT&T's business services, consumer services, and other and corporate results. Local services includes TCG's local business (but excludes its 1998 acquisition of ACC) and the costs associated with the corporate staff dedicated to AT&T's local services effort. TCG and ACC are both included in the other and corporate group.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$ 974	$ 562	$ 271
EBIT	(1,428)	(991)	(466)
EBITDA	(1,117)	(764)	(378)
Capital additions	1,362	1,314	892

At December 31,	1998	1997
Total assets	$ 3,661	$ 4,068

Revenues Local services revenues increased $412 million, or 73.2%, compared with 1997, due primarily to TCG's growth in private line, switch usage and facilities, interconnection, and data/Internet services. In 1997, local services revenues increased $291 million, or 107.2%, also driven by growth in TCG.

AT&T's local services operation added more than 246,000 access lines in 1998 for a total of 542,544 access lines in service as of December 31, 1998. Voice-grade equivalents in service were 11.6 million, an increase of 4.3 million from year-end 1997. AT&T now serves 19,246 buildings with 5,536 on net (buildings where we own the switch), in 83 metropolitan statistical areas (MSAs). Since year-end 1997, AT&T's local operations have added 28 digital voice switches, 18 MSAs and service to 5,732 buildings, almost 900 of which are on net.

EBIT/EBITDA For 1998, EBIT and EBITDA deficits increased $437 million and $353 million, respectively. The greater deficits were due primarily to the $633 million asset impairment charge and the $85 million TCG merger-related costs recorded in 1998. Excluding these items, 1998 EBIT improved $281 million, or 28.3%, to a loss of $710 million and EBITDA improved $365 million, or 47.7%, to a loss of $399 million. These EBIT and EBITDA improvements were primarily due to an increase in revenues, combined with an improved cost structure. For 1997, EBIT and EBITDA declined $525 million and $386 million, respectively, compared with 1996, due primarily to increased SG&A expenses.

Other Items During 1998, capital spending for local services was primarily related to expansion, development and construction of the business-local network. During 1997, spending was focused on business-local and spending in consumer for the deployment of TSR. However, we decided not to pursue TSR as a local service strategy in early 1998.

Total assets decreased $407 million compared with December 31, 1997, due primarily to the 1998 write-off of consumer-local software assets associated with TSR and a decrease in marketable securities, partially offset by a net increase in property, plant and equipment due to the expansion of the business-local network.

AT&T Solutions

AT&T Solutions is our outsourcing, network-management and professional-services business. The results of AT&T Solutions are included in the other and corporate group.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$ 1,054	$ 785	$ 473
EBIT	27	(154)	(202)
EBITDA	173	(6)	(63)
Capital additions	271	118	192

At December 31,	1998	1997
Total assets	$ 719	$ 576

Revenues For 1998, AT&T Solutions' revenues grew by 34.2%, to $1,054 million. The strong growth can be attributed to new contracts signed during 1998 and the expansion of services provided to our existing client base. During the year we announced the signing of a six-year contract with Bank One, valued at $1.4 billion over the contract term. AT&T Solutions currently has the potential for more than $9 billion in revenues under signed contracts. Revenue growth for 1999, excluding the impact of the IBM outsourcing agreement, is expected to be approximately 30%.

Also during 1998, AT&T and IBM announced a series of strategic agreements. AT&T will acquire IBM's Global Network business for $5 billion and IBM will outsource a significant portion of its global networking needs to AT&T. This five-year outsourcing contract has a value of $5 billion. The network acquisition and outsourcing agreement together have the potential to bring in an additional $2.5 billion in revenues to AT&T Solutions in its first full year of operation. At the same time, AT&T will outsource its internal data-processing and applications-processing centers to IBM.

AT&T Solutions also manages AT&T's information-technology infrastructure. These internal services are accounted for as a reduction to AT&T Solutions' expenses. Total internal services billed were $1.6 billion in 1998 with an EBIT margin of about 4%.

AT&T Solutions purchases long distance and data services for its business customers from business services, who partner closely with AT&T Solutions to meet its customers' needs.

EBIT/EBITDA EBIT for AT&T Solutions improved $181 million to $27 million and EBITDA improved $179 million to $173 million in 1998. The commercial operations of AT&T Solutions recorded a $40 million EBIT loss in 1998, an improvement of $124 million, or 75.4%, over 1997. However, in the fourth quarter of 1998, AT&T Solutions' commercial operations met its target to turn EBIT positive. EBITDA for the commercial operation was a loss of $1 million

in 1998, an improvement of $135 million, or 98.6%, over 1997. Revenue growth combined with significant progress toward a best-in-class cost structure drove the EBIT and EBITDA improvements.

Other Items Capital additions for 1998 were $271 million, an increase of $153 million over 1997. This spending was directed primarily toward the AT&T information-technology infrastructure. Capital additions for 1997 decreased 38.4% compared with 1996, due to lower spending on the AT&T information-technology infrastructure.

Total assets increased $143 million, or 24.9%, at December 31, 1998, due to increased capital spending. Approximately 50% of total assets at December 31, 1998 and 1997, were related to servicing the internal-network infrastructure of AT&T.

AT&T WorldNet and Other Online Services

AT&T WorldNet and other online services includes AT&T WorldNet Services, our Internet access provider for residential and business consumers (included in other and corporate), as well as Worldwide Web site hosting and other electronic commerce services (included in business services).

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$ 370	$ 219	$ 80
EBIT	(431)	(553)	(520)
EBITDA	(375)	(523)	(508)
Capital additions	69	118	131
WorldNet subscribers (k)	1,294	1,020	568
Hosted Web sites (k)	8.1	6.2	2.0

At December 31,	1998	1997
Total assets	$ 380	$ 334

Revenues Revenues increased $151 million, or 68.6%, in 1998 compared with 1997. The increase was primarily due to continued growth in AT&T WorldNet's residential and business subscribers. AT&T WorldNet had 1.294 million gross residential subscribers at December 31, 1998, of which 1.250 million were paying subscribers, up from 1.020 million at December 31, 1997, an increase of 22.5%. Average revenue per customer increased due to movement of customers to plans with higher monthly rates. AT&T Web Site Services had more than 8,000 hosted sites at the end of 1998, compared with approximately 6,000 at the end of 1997.

EBIT/EBITDA EBIT and EBITDA in 1998 improved 22.0% and 28.3% to deficits of $431 million and $375 million, respectively. The improvements were driven primarily by AT&T WorldNet revenue growth.

International Operations and Ventures

International operations and ventures includes AT&T's consolidated foreign operations, our transit and reorigination businesses, online services in the Asia/Pacific region, as well as the equity earnings/losses of AT&T's nonconsolidated international joint ventures. International operations and ventures does not include bilateral international long distance traffic. The results of international operations and ventures are included in other and corporate.

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Revenues	$ 876	$ 712	$ 585
EBIT	(298)	(399)	(309)
EBITDA	(244)	(338)	(242)
Capital additions	125	496	101

At December 31,	1998	1997
Total assets	$ 1,409	$ 1,837

Revenues Revenues increased 23.0% to $876 million in 1998 compared with 1997. In 1998, we streamlined our international operations by exiting certain nonstrategic and unprofitable businesses which negatively impacted revenues. Revenues from ongoing operations increased approximately 54% for the year, driven by increased reorigination traffic and growth in AT&T Communications Services UK. In 1997, revenues grew 21.7% due primarily to an increase in reorigination revenues.

EBIT/EBITDA EBIT improved $101 million, or 25.4%, and EBITDA improved $94 million, or 27.8%, in 1998 compared with 1997. The EBIT and EBITDA improvements were primarily due to revenue increases and AT&T's continued efforts to streamline its international operations and exit nonstrategic and unprofitable businesses. These improvements were partially offset by an $85 million asset impairment charge recorded in 1998 relating to the write-down of unrecoverable assets in certain operations that compete directly with BT. Excluding this charge, 1998 EBIT and EBITDA were deficits of $213 million and $159 million, respectively, showing year-over-year EBIT and EBITDA improvements of $186 million and $179 million, respectively. In 1997, EBIT and EBITDA grew 29.3% and 39.7%, respectively, due primarily to increased losses in our international ventures.

Other Items Capital additions decreased $371 million for 1998 compared with 1997. The decrease was primarily due to the high level of spending in 1997, which was directed toward the funding of start-up ventures.

Total assets were $1,409 million at December 31, 1998, compared with $1,837 million at December 31, 1997. The decrease is due primarily to a decrease in cash resulting from a loan to an affiliated entity and due to a reduction in receivables due primarily to the settlement of the receivable relating to the sale of SSI.

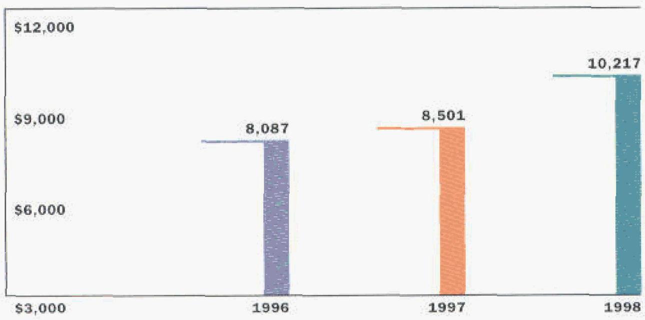
Liquidity

For the Years Ended December 31,	1998	1997	1996
Dollars in Millions			
Cash Flow of Continuing Operations:			
Provided by operating activities	$ 10,217	$ 8,501	$ 8,087
Provided by (used in) investing activities	3,582	(6,755)	(2,088)
Used in financing activities	(11,049)	(1,540)	(4,295)
EBITDA	13,415	11,327	11,995

AT&T's primary source of cash is derived from the continuing operations of AT&T. The net cash provided by the operating activities of continuing operations was $10,217 million in 1998, $8,501 million in 1997 and $8,087 million in 1996. The increase in 1998 of $1,716 million was driven primarily by an increase in income from continuing operations excluding the noncash impacts on income of restructuring and other charges as well as the gains on sales of nonstrategic businesses. The $414 million increase in 1997 was due to a number of factors including the collection of employee-benefit related receivables from Lucent in 1997 and improved customer cash collections.

Cash Flow from Operations*

Dollars in Millions



*Represents the operating activities of AT&T's continuing operations.

AT&T's investing activities resulted in a net source of cash in 1998 of $3,582 million. In 1997 and 1996, our investing activities resulted in a net use of cash of $6,755 million and $2,088 million, respectively. In 1998, we received $5,722 million as settlement of a receivable in conjunction with the sale of UCS, as well as $3,500 million in proceeds from the sale. We also received a total of $1,550 million in proceeds from the sales of LIN-TV, ASCC and SmarTone during 1998. AT&T's capital spending of $7,817 million in 1998 was the primary use of cash in investing activities.

During 1997 and 1996, the net use of cash from investing activities was due to capital spending of $7,604 million and $6,828 million, respectively. Partially offsetting the use of cash in 1996 were UCS related securitizations.

We expect our 1999 capital expenditures to be about $11 billion to $12 billion, including the capital spending of TCI. A significant portion of these expenditures will be in support of our growth businesses.

The net cash used in financing activities of AT&T's continuing operations was $11,049 million, $1,540 million and $4,295 million in 1998, 1997 and 1996, respectively. AT&T used the cash received during 1998 from the asset dispositions to pay down commercial paper and repurchase approximately $3 billion of AT&T common stock in anticipation of the TCI merger. We also early retired $1,046 million of long-term debt obligations of TCG and repaid approximately $1,100 million of scheduled debt maturities.

The decrease in cash used in financing activities from 1996 to 1997 was primarily due to an increase in short-term borrowings resulting from the increased UCS funding requirements as well as the 1996 pay down of commercial paper with the proceeds from the sale of AT&T Capital Corp.

On January 8, 1999, we announced that the Board of Directors authorized the repurchase of up to $4 billion of AT&T common stock. During February and March 1999, we completed this program with the repurchase of 46.6 million shares. These shares were reissued in connection with the TCI merger. We also announced our intention, following completion of the TCI merger, to declare a three-for-two stock split of AT&T's common stock.

In 1999, AT&T filed a registration statement with the Securities and Exchange Commission for the offering and sale of up to $10 billion of notes and warrants to purchase notes. AT&T will have a total of $13.1 billion of registered notes and warrants to purchase notes available for public sale under this registration statement and previously filed registration statements.

AT&T intends to use the proceeds from the sale of the notes and warrants for funding investments in subsidiary companies, capital expenditures, acquisitions of licenses, assets or businesses, refunding of debt and general corporate purposes.

In February 1999, we entered into a $7 billion revolving-credit facility with a consortium of 42 lenders. The 364-day facility is intended for general corporate purposes and will support our commercial paper issuances. In addition, we negotiated a $2 billion, 364-day, back-up facility with one institution. This facility will terminate when AT&T issues debt under the registration statement filed in 1999 and after any underlying commercial paper has been repaid.

EBITDA is a measure of our ability to generate cash flow and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP. EBITDA increased $2,088 million, or 18.4%, for 1998 compared with 1997. EBITDA was also impacted by the 1998 and 1997 net charges and gains. However, the EBITDA impact of the adoption of SOP 98-1 in 1998 was $221 million due to current-

$10.2 billion

Cash flow from operations for 1998 was $10.2 billion, reflecting strong income from continuing operations.

year amortization of software capitalized, and the impact of the two-way messaging charge in 1997 was $80 million. Excluding the 1998 and 1997 net charges and gains, EBITDA jumped to $14,938 million in 1998 from $11,210 million in 1997, an increase of 33.2%. The increase was due primarily to the impact of our cost-reduction efforts coupled with higher revenues. EBITDA declined 5.6%, or $668 million, in 1997. Excluding the impact of the 1997 net charges, EBITDA decreased $785 million, or 6.5%, compared with 1996.

Risk Management

We are exposed to market risk from changes in interest and foreign exchange rates. On a limited basis we use certain derivative financial instruments, including interest rate swaps, options, forwards and other derivative contracts to manage these risks. We do not use financial instruments for trading or speculative purposes. All financial instruments are used in accordance with board-approved policies.

We use interest rate swaps to manage the impact of interest rate changes on earnings and cash flows and also to lower our overall borrowing costs. We monitor our interest rate risk on the basis of changes in fair value. Assuming a 10% downward shift in interest rates at December 31, 1998 and 1997, the potential loss for changes in the fair value of interest rate swaps and the underlying hedged debt would have been $3 million in both periods. Assuming a 10% downward shift in interest rates at December 31, 1998 and 1997, the potential loss for changes in the fair value of unhedged debt would have been $290 million and $346 million, respectively.

We use forward and option contracts to reduce our exposure to the risk of adverse changes in currency exchange rates. We are subject to foreign exchange risk related to reimbursements to foreign telephone companies for their portion of the revenues billed by AT&T for calls placed in the United States to a foreign country. In addition, we are also subject to foreign exchange risk related to other foreign-currency-denominated transactions. As of December 31, 1998, there was a net unrealized gain on forward contracts of $9 million. As of December 31, 1997, there was a net unrealized loss on forward contracts of $30 million. Unrealized gains and losses are calculated based on the difference between the contract rate and the rate available to terminate the contracts. We monitor our foreign exchange rate risk on the basis of changes in fair value. Assuming a 10% appreciation in the U.S. dollar at December 31, 1998 and 1997, the potential loss for changes in the fair value of these contracts would have been $20 million and $6 million, respectively. Because these contracts are entered into for hedging purposes, we believe that these losses would be largely offset by gains on the underlying firmly committed or anticipated transactions.

The estimated potential losses, as discussed above, assume the occurrence of certain adverse market conditions. They do not consider the potential effect of favorable changes in market factors and do not represent projected losses in fair value that we expect to incur. Future impacts would be based on actual developments in global financial markets. Management does not foresee any significant changes in the strategies used to manage interest rate risk or foreign currency rate risk in the near future.

Euro Conversion

On January 1, 1999, certain members of the European Union established fixed conversion rates between their existing currencies and the European Union's currency (Euro). The transition period is anticipated to extend between January 1, 1999, and July 1, 2002. We have assessed the impact of the conversion on information-technology systems, currency exchange rate risk, derivatives and other financial instruments, continuity of material contracts as well as income tax and accounting issues. We do not expect the conversion to date or the conversion during the transition period to have a material effect on our consolidated financial statements.

Financial Condition

At December 31,	1998	1997
Dollars in Millions		
Total assets	$59,550	$61,095
Total liabilities	34,028	37,417
Total shareowners' equity	25,522	23,678
Debt ratio	20.9%	33.5%

At December 31, 1998, total assets decreased $1,545 million, or 2.5%, to $59,550 million primarily due to our efforts to divest non-strategic assets partially offset by our efforts to grow the business. Declines in other and long-term receivables and net assets of discontinued operations, were partially offset by increases in cash and property, plant and equipment. The decrease in other and long-term receivables and net assets of discontinued operations is due primarily to the sale of UCS in 1998. In connection with this sale, the receivables outstanding were paid. This sale, along with the sales of LIN-TV and ASCC, are the primary reasons for the increase in cash. Proceeds from the sales were partially used to repurchase common stock, pay down commercial paper and for the early extinguishment of $1,046 million in debt in August 1998. The increase in property, plant and equipment primarily reflects the investment in the expansion of our long distance, local and wireless networks partially offset by the current year's increase in accumulated depreciation and the local asset impairment charge.

$10.8 billion

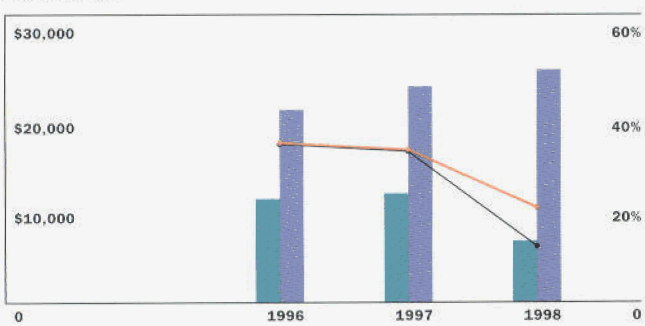
Proceeds from sales of nonstrategic businesses were $10.8 billion.

Total liabilities decreased $3,389 million, or 9.1%, to $34,028 million at December 31, 1998, primarily due to declines in debt partially offset by increases in other current liabilities and increases in total payroll and benefit-related liabilities. The decreases in both short-term and long-term debt reflect the pay down of debt with the current year's sales proceeds, as mentioned above. Other current liabilities increased primarily as a result of the accrued income taxes recorded associated with the sale of UCS. The increase in total payroll and benefit-related liabilities (short-term and long-term) is primarily due to the net charges associated with the voluntary retirement incentive program for management employees. The charge for pension special-termination benefits and other costs resulted in the establishment of a liability for the Management Pension Plan. This increase was partly offset by the reversal of the remaining 1995 business restructuring charge.

Total shareowners' equity increased $1,844 million, or 7.8%, in 1998, to $25,522 million primarily due to the current year's net income partially offset by the shares repurchased and dividends declared.

AT&T Capitalization

Dollars in Millions



	Debt	Equity	Debt Ratio	Debt Ratio Net of Cash
1996	$11,351	$21,092	35.0%	34.6%
1997	$11,942	$23,678	33.5%	32.9%
1998	$6,727	$25,522	20.9%	12.3%

The ratio of total debt to total capital at December 31, 1998, was 20.9% compared with 33.5% at December 31, 1997. The decrease was primarily due to lower debt. The debt ratio net of cash as of December 31, 1998, was 12.3%. Management expects the debt ratio to increase in 1999.

Recent Pronouncement

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." Among other provisions, it requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Gains and losses resulting from changes in the fair values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. This standard is effective for fiscal years beginning after June 15, 1999, though earlier adoption is encouraged and retroactive application is prohibited. For AT&T this means that the standard must be adopted no later than January 1, 2000. Management, based on its current operations and hedging strategies, does not expect the adoption of this standard to have a material impact on AT&T's results of operations, financial position or cash flows.

Year 2000

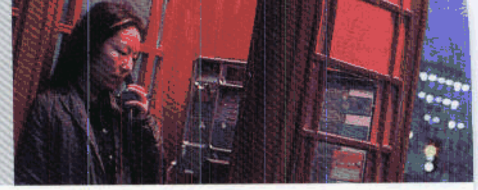
AT&T is preparing its systems and applications for the year 2000 (Y2K) through our Y2K program. The issue our Y2K program addresses is the use of a two-digit year field instead of a four-digit year field in computer systems. If computer systems cannot distinguish between the year 1900 and the year 2000, system failures or other computer errors could result. The potential for failures and errors spans all aspects of our business, including computer systems, voice and data networks, and building infrastructures. We are also faced with addressing our interdependencies with our suppliers, connecting carriers and major customers, all of whom face the same issue.

AT&T's Y2K program is companywide and is focused on four interrelated categories which are critical to maintaining uninterrupted service to our customers: AT&T-developed applications and their external interfaces, AT&T networks, information-technology (IT) platforms that support the applications, and non-IT infrastructure.

AT&T's progress in our Y2K program is measured by certain key milestones or phases common to each category of systems. These milestones are: assessment, repair/remediation, testing and certification. The end-state of the process is a declaration of Y2K compliance, which means that neither performance nor functionality is affected by dates prior to, during and after the year 2000. AT&T monitors and tracks the progress of our Y2K program through a series of scorecards that capture the activities related to the Y2K process phases.

AT&T has completed 100% of the assessment and repair and 99% of the testing of customer-affecting systems that are a subset of AT&T's inventory as of December 31, 1998, with the remaining 1% of the testing scheduled for completion in the first quarter of 1999. All systems encompassed in our Y2K program have various projected dates for Y2K certification, which are outlined in further detail below by major category.

The Y2K plans for AT&T local services (including TCG) have been integrated into the overall AT&T plan, and the 1999 targets now include all of AT&T local services. AT&T continues to evaluate TCI's Y2K program, along with the programs of other pending



acquisitions, to understand the potential impact on the existing AT&T program. All targets cited herein exclude information regarding TCI and other pending acquisitions, whose programs are still being evaluated and planned for integration into the overall AT&T Y2K program.

Program Status AT&T has approximately 3,000 internally developed software applications that (1) directly support AT&T's voice and data telecommunications services (including wired and wireless); (2) are critical to the provisioning, administration, maintenance and customer service/support related to our telecommunications services; and (3) support our sales and marketing organizations, other AT&T services and internal administrative functions. These applications represent 360 million lines of code. As of December 31, 1998, AT&T has completed 100% of the assessment, approximately 98% of the repair, and about 95% of the application testing. All phases leading to 100% system-compliance are targeted to be complete in the second quarter of 1999.

With respect to external (third-party) interface assessment, formal letters have been sent to about 2,000 domestic telecommunications companies and international telecommunications authorities to request information on their Y2K plans and targets for compliance. We have identified about 1,000 different types of third-party interfaces and about 10,000 total instances of those types, and are in the process of assessing the Y2K impacts. As of December 31, 1998, AT&T has assessed approximately 83% of third-party interface types and approximately 82% are Y2K compliant. We expect to complete 100% of the assessment phase in the first quarter of 1999 and to be 100% complete with Y2K certification of external interfaces in the second quarter of 1999.

The AT&T network is critical to providing top-quality, reliable service to AT&T customers. At December 31, 1998, the assessment and repair of the operation-support systems (OS) were 100% complete, and the certification phase was 99% complete. These systems are targeted to be 100% compliant by the second quarter of 1999. In addition to the AT&T-developed applications supporting the network, AT&T has inventoried more than 800 externally purchased network elements (NE) including switches, routers, network-control points and signal-transfer points. Additional Y2K testing is conducted to independently verify supplier claims of compliance. Approximately 99% of the NEs are certified and the remaining certification is expected to be completed in the first quarter of 1999. After OS/NE certification is complete, AT&T performs integration testing to verify Y2K certification of NEs in conjunction with the associated OS applications. Such integration testing is approximately 76% completed as of December 31, 1998, with 100% deployment targeted for completion by the second quarter of 1999.

The IT infrastructure category addresses not only the computing platforms that are critical to the AT&T-developed applications, but also the common modules, communications protocols, the internal AT&T wide-area and local-area networks, desktop hardware/software and the internal voice network. The largest part of this effort has been focused on the inventory and assessment of the products and components. As of December 31, 1998, AT&T was approximately 70% compliant in computing platforms, about 42% compliant in desktops, approximately 80% compliant in voice systems and adjuncts, and about 84% compliant in data networks. AT&T expects substantial completion of IT infrastructure certification by the first quarter of 1999, with 100% certification completion during the second quarter of 1999.

The non-IT infrastructure focuses on the energy- and environment-management systems that are critical to various computer systems, as well as safety, security and operations. This aspect of the Y2K program encompasses more than 8,000 sites, as well as about 6,500 wireless cell sites. As of December 31, 1998, approximately 90% of all sites completed inventory and about 60% are assessed and compliant (or not impacted). AT&T expects to complete 100% of the inventory and assessment phases in the first quarter of 1999, and has targeted 100% site compliance by the third quarter of 1999.

Costs We have expended approximately $450 million since inception in 1997 on all phases of the Y2K project. Total costs for 1998 were approximately $320 million, which included approximately $65 million of capital spending for upgrading and replacing noncompliant computer systems. More than half of these costs represent internal IT resources that have been redeployed from other projects and are expected to return to these projects upon completion of the Y2K project. We anticipate Y2K costs to be approximately $190 million for the full year 1999, which includes approximately $12 million of capitalized fixed assets.

Risk Assessment We have assessed our business exposure that would result from a failure of our Y2K program, as well as those of our suppliers, connecting carriers and major customers. Such failures would result in business consequences that could include failure to be able to serve customers, loss of network functionality, inability to render accurate bills, lost revenues, harm to the AT&T brand, legal and regulatory exposure, and failure of management controls. Although we believe that internal Y2K compliance will be achieved no later than December 31, 1999, there can be no assurance that the Y2K problem will not have a material adverse affect on our business, financial condition or results of operations.

Contingency Plans AT&T is in the process of establishing Y2K contingency plans to further mitigate Y2K risks. Specific examples of AT&T's contingency plan initiatives include the following:

Plans are under way to position AT&T personnel on site at critical locations to monitor operations and manage increases in work and call volumes.

Agreements are being negotiated with contractors and vendors to ensure the availability of on-site technical support. This coverage includes, but is not limited to, network centers and sites, customer-care centers and data centers.

We are planning to proactively stage power, fuel, water, heating, air-conditioning and ventilation sources to support critical business operations and personnel requirements.

Alternate procedures and processes are being developed to support critical customer functions, including alternative procedures for rapid repair, recovery and restoration of critical technology components by business resumption teams.

Procedures to perform database backups, hardcopy printouts, data retention and recovery are being established for business critical data.

Other Matters

AT&T and British Telecommunications plc (BT) announced on July 26, 1998, that they will create a global venture to serve the complete communications needs of multinational companies and the international calling needs of businesses around the world. The venture, which will be owned equally by AT&T and BT, will combine transborder assets and operations of each company, including their existing international networks, all of their international traffic, all of their transborder products for business customers – including an expanding set of Concert services (enhanced international voice, data and IP services) – and AT&T's and BT's multinational accounts in selected industry sectors. The formation of the venture is subject to certain conditions, including receipt of regulatory approvals, but is expected to be completed by mid-1999.

Subsequent Events

AT&T announced on January 8, 1999, that it had reached agreements with five TCI affiliates to form separate joint ventures to offer customers advanced communications services. AT&T, which expects to own 51% to 65% of each of these joint ventures, will have long-term exclusive rights to offer communications services over the systems of each of the five operators in return for one-time payments to be made when the systems meet certain performance milestones. AT&T expects to finalize joint ventures with Bresnan Communications, Falcon Cable TV, Insight Communications, InterMedia Partners and Peak Cablevision in early 1999, begin piloting the new services later in the year and then begin commercial operations in the year 2000.

On February 1, 1999, AT&T announced the formation of a joint venture with Time Warner to offer AT&T-branded cable-telephony service to residential and small business customers over Time Warner's existing cable-television systems in 33 states. The service is expected to be piloted in one or two cities in 1999 and begin broader commercial operations in 2000. In addition, the companies agreed to develop other broadband communications services such as video telephony. Under the terms of the agreement, AT&T will own 77.5% of the joint venture and will fund the joint venture's negative cash flow; however, it is anticipated that the joint venture will have positive cash flow and net earnings after three full years of operation. In return for 20-year exclusive rights to offer telephony over Time Warner's cable system, the joint venture will make payments to Time Warner which are estimated to be $300 million. In addition, the joint venture will pay a monthly fee per subscriber. Subject to certain conditions, including definitive documentation and various approvals, the companies expect to close the joint venture in the second half of 1999.

On March 9, 1999, the merger with TCI announced on June 24, 1998, closed with each share of TCI Group Series A common stock converted into 0.7757 of AT&T common stock and each share of TCI Group Series B stock converted into 0.8533 of AT&T common stock. AT&T issued approximately 439 million shares for TCI shares, of which 339 million were newly issued shares and 100 million were treasury shares including the shares repurchased in February and March 1999. In addition, TCI combined Liberty Media Group, its programming arm, and TCI Ventures Group, its technology-investments unit, to form the new Liberty Media Group (Liberty Media). In connection with the closing, the shareowners of the new Liberty Media Group were issued separate tracking stock by AT&T in exchange for the shares held. Although Liberty Media is a 100%-owned subsidiary of AT&T, it will be accounted for as an equity investment since AT&T does not have a controlling financial interest in Liberty Media. In addition, as a tracking stock, all of its earnings or losses are excluded from the earnings available to the AT&T common shareowner.

The closing of the TCI merger is the start of the transformation of AT&T to an "any-distance" company. We believe this acquisition, along with the joint ventures reached with five TCI affiliates and Time Warner, will make us a leader of a new generation of advanced communications, information and video services. These moves will enable us to reach more than 40% of U.S. households over the next four to five years.

Legislative and Regulatory Developments

The Telecommunications Act of 1996 was designed to foster local-exchange competition by establishing a regulatory framework to govern new competitive entry in local and long distance telecommunications services. The Telecommunications Act also permits Regional Bell Operating Companies (RBOCs) to provide interexchange services originating in any state in their regions after demonstrating to the FCC that such provision is in the public interest and satisfying the conditions for developing local competition established by the Telecommunications Act.

A number of court decisions in 1997 severely restricted implementation of the Telecommunications Act and delayed local-service competition. Recent rulings, however, have upheld the provisions of the Telecommunications Act. Despite these favorable rulings, there can be no assurance that the prices and other conditions established in each state will provide for effective local-service entry and competition or provide AT&T with new market opportunities.

In July 1997, the U.S. Court of Appeals for the Eighth Circuit vacated the pricing rules that the FCC had adopted to implement the sections of the local-competition provisions of the Telecommunications Act applicable to interconnection with local-exchange carrier (LEC) networks and the purchase of unbundled network elements and wholesale services from LECs. In October 1997, the Eighth Circuit vacated an FCC Rule that had prohibited incumbent LECs from separating network elements that are combined in the LECs' networks, except at the request of the competitor purchasing the elements. These decisions increased the difficulty and costs of providing competitive local service through the use of unbundled network elements purchased from the incumbent LECs.

On January 25, 1999, the U.S. Supreme Court issued a decision reversing the Eighth Circuit Court of Appeals' holding that the FCC lacks jurisdiction to establish pricing rules applicable to interconnection and the purchase of unbundled network elements, and the Court of Appeals' decision to vacate the FCC's rule prohibiting incumbent LECs from separating network elements that are combined in the LECs' networks. The effect of the Supreme Court's decision is to reinstate the FCC's rules governing pricing and the separation of unbundled network elements. The Eighth Circuit Court of Appeals will now consider the incumbent LECs' claims that although the FCC has jurisdiction to adopt pricing rules, the rules it adopted are not consistent with the applicable provisions of the Telecommunications Act. The Supreme Court also vacated the FCC's rule identifying and defining the unbundled network elements that incumbent LECs are required to make available to new entrants, and directed the FCC to reexamine this issue in light of the standards mandated by the Telecommunications Act.

On December 31, 1997, the U.S. District Court for the Northern District of Texas issued a memorandum opinion and order holding that the Telecommunications Act's restrictions on the provision of in-region, inter-LATA service by the RBOCs are unconstitutional. AT&T and other carriers (collectively, "intervenors") filed an appeal with the U.S. Court of Appeals for the Fifth Circuit. On February 11, 1998, the District Court suspended the effectiveness of its December 31 memorandum opinion and order pending appeal.

On September 4, 1998, the U.S. Court of Appeals for the Fifth Circuit rejected arguments that the Telecommunications Act is unconstitutional, and reversed the District Court's contrary opinion. On December 22, 1998, the U.S. Court of Appeals for the District of Columbia Circuit rejected a similar challenge to the constitutionality of the Telecommunications Act. On January 19, 1999, the U.S. Supreme Court denied petitions filed by the RBOCs to review the decision of the Fifth Circuit Court of Appeals.

Competition

AT&T currently faces significant competition and expects that the level of competition will continue to increase. The Telecommunications Act permits RBOCs to provide inter-LATA interexchange services after demonstrating to the FCC that such provision is in the public interest and satisfying the conditions for developing local competition established by the Telecommunications Act. The RBOCs have petitioned the FCC for permission to provide inter-LATA interexchange services in one or more states within their home markets; to date the FCC has not granted any such petition. To the extent that the RBOCs obtain in-region, inter-LATA authority before the Telecommunications Act's checklist of conditions have been fully or satisfactorily implemented and adequate facilities-based local-exchange competition exists, there is a substantial risk that AT&T and other interexchange service providers would be at a disadvantage to the RBOCs in providing both local service and combined-service packages. Because it is widely anticipated that a substantial number of long distance customers will seek to purchase local, interexchange and other services from a single carrier as part of a combined or full-service package, any competitive disadvantage, inability to profitably provide local service at competitive rates, or delays or limitations in providing local service or combined service packages is likely to adversely affect AT&T's future revenues and earnings. In addition, the simultaneous entrance of numerous new competitors for interexchange and combined service packages is likely to adversely affect AT&T's long distance revenues and could adversely affect earnings.

Five-Year Summary of Selected Financial Data (Unaudited)

AT&T Corp. and Subsidiaries

Dollars in millions (except per share amounts)	1998*	1997	1996	1995**	1994
Results of Operations					
Revenues	$ 53,223	$ 51,577	$ 50,688	$ 48,449	$ 46,063
Operating income	7,487	6,836	8,709	5,169	7,393
Income from continuing operations	5,235	4,249	5,458	2,981	4,230
Earnings Per Common Share					
Income from continuing operations:					
Basic	$ 2.93	$ 2.39	$ 3.10	$ 1.72	$ 2.48
Diluted	2.91	2.38	3.09	1.71	2.47
Dividends declared per common share	1.32	1.32	1.32	1.32	1.32
Assets and Capital					
Property, plant and equipment-net	$ 26,903	$ 24,203	$ 20,803	$ 16,453	$ 14,721
Total assets-continuing operations	59,550	59,994	55,838	54,365	47,926
Total assets	59,550	61,095	57,348	62,864	57,817
Long-term debt	5,556	7,857	8,878	8,913	9,138
Total debt	6,727	11,942	11,351	21,081	18,720
Shareowners' equity	25,522	23,678	21,092	17,400	18,100
Gross capital expenditures	7,981	7,714	7,084	4,659	3,504
Employees-continuing operations	107,800	130,800	128,700	126,100	116,400
Other Information					
Operating income as a percentage of revenues	14.1%	13.3%	17.2%	10.7%	16.1%
Income from continuing operations as a percentage of revenues	9.8%	8.2%	10.8%	6.2%	9.2%
Return on average common equity	25.3%	19.7%	27.1%	0.4%	29.5%
EBIT***	$ 8,734	$ 7,279	$ 9,114	$ 5,439	$ 7,450
EBITDA***	13,415	11,327	11,995	8,112	9,914
Data at year-end:					
Stock price per share****	75.75	61.31	41.31	44.40	34.46
Book value per common share	14.55	13.24	11.89	9.97	10.53
Debt ratio	20.9%	33.5%	35.0%	54.8%	50.8%

* 1998 income from continuing operations includes $1.0 billion of nonoperational items, including restructuring and other charges as well as benefits from gains on sales and the adoption of a new accounting standard.

** 1995 income from continuing operations includes $2.0 billion of restructuring and other charges.

*** EBIT (earnings, including other income, before interest and taxes) and EBITDA (EBIT plus depreciation and amortization), include $1.5 billion and $3.0 billion of nonoperational net charges for 1998 and 1995, respectively. Excluding the nonoperational charges, EBIT and EBITDA for 1998 were $10,279 million and $14,938 million, respectively. 1995 EBIT and EBITDA, excluding the nonoperational charges, were $8,462 million and $11,135 million, respectively.

****Stock prices for 1994-1996 have been restated to reflect the spin-offs of Lucent and NCR.

Report of Management

Management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and all other financial information included in this report. Management is also responsible for maintaining a system of internal controls as a fundamental requirement for the operational and financial integrity of results. The financial statements, which reflect the consolidated accounts of AT&T Corp. and subsidiaries (AT&T) and other financial information shown, were prepared in conformity with generally accepted accounting principles. Estimates included in the financial statements were based on judgments of qualified personnel. To maintain its system of internal controls, management carefully selects key personnel and establishes the organizational structure to provide an appropriate division of responsibility. We believe it is essential to conduct business affairs in accordance with the highest ethical standards as set forth in the AT&T Code of Conduct. These guidelines and other informational programs are designed and used to ensure that policies, standards and managerial authorities are understood throughout the organization. Our internal auditors monitor compliance with the system of internal controls by means of an annual plan of internal audits. On an ongoing basis, the system of internal controls is reviewed, evaluated and revised as necessary in light of the results of constant management oversight, internal and independent audits, changes in AT&T's business and other conditions. Management believes that the system of internal controls, taken as a whole, provides reasonable assurance that (1) financial records are adequate and can be relied upon to permit the preparation of financial statements in conformity with generally accepted accounting principles and (2) access to assets occurs only in accordance with management's authorizations.

The Audit Committee of the Board of Directors, which is composed of directors who are not employees, meets periodically with management, the internal auditors and the independent accountants to review the manner in which these groups of individuals are performing their responsibilities and to carry out the Audit Committee's oversight role with respect to auditing, internal controls and financial reporting matters. Periodically, both the internal auditors and the independent accountants meet privately with the Audit Committee and have access to its individual members at any time.

The consolidated financial statements in this annual report have been audited by PricewaterhouseCoopers LLP, Independent Accountants. Their audits were conducted in accordance with generally accepted auditing standards and include an assessment of the internal control structure and selective tests of transactions. Their report follows.

Daniel E. Somers
Senior Executive Vice President,
Chief Financial Officer

C. Michael Armstrong
Chairman of the Board,
Chief Executive Officer

Report of Independent Accountants

To the Board of Directors and Shareowners of AT&T Corp.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in shareowners' equity and of cash flows present fairly, in all material respects, the financial position of AT&T Corp. and its subsidiaries (AT&T) at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of AT&T's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
January 25, 1999

Consolidated Statements of Income

AT&T Corp. and Subsidiaries

Dollars in millions (except per share amounts)	1998	1997	1996
		For the Years Ended December 31,	
Revenues	$ 53,223	$ 51,577	$ 50,688
Operating Expenses			
Access and other interconnection	15,328	16,350	16,363
Network and other communications services	10,250	9,739	8,262
Depreciation and amortization	4,629	3,982	2,819
Selling, general and administrative	13,015	14,670	14,535
Restructuring and other charges	2,514	—	—
Total operating expenses	45,736	44,741	41,979
Operating income	7,487	6,836	8,709
Other income-net	1,247	443	405
Interest expense	427	307	417
Income from continuing operations before income taxes	8,307	6,972	8,697
Provision for income taxes	3,072	2,723	3,239
Income from continuing operations	5,235	4,249	5,458
Discontinued Operations			
Income from discontinued operations (net of taxes of $6, $50 and $(353))	10	100	173
Gain on sale of discontinued operations (net of taxes of $799, $43 and $138)	1,290	66	162
Income before extraordinary loss	6,535	4,415	5,793
Extraordinary loss (net of taxes of $80)	137	—	—
Net income	$ 6,398	$ 4,415	$ 5,793
Weighted-average common shares and potential common shares (millions)*	1,800	1,789	1,767
Per Common Share – Basic:			
Income from continuing operations	$ 2.93	$ 2.39	$ 3.10
Income from discontinued operations	0.01	0.05	0.10
Gain on sale of discontinued operations	0.73	0.04	0.09
Extraordinary loss	0.08	—	—
Net income	$ 3.59	$ 2.48	$ 3.29
Per Common Share – Diluted:			
Income from continuing operations	$ 2.91	$ 2.38	$ 3.09
Income from discontinued operations	—	0.05	0.10
Gain on sale of discontinued operations	0.72	0.04	0.09
Extraordinary loss	0.08	—	—
Net income	$ 3.55	$ 2.47	$ 3.28

* Amounts represent the weighted-average shares assuming dilution from the potential exercise of outstanding stock options. Basic shares, assuming no dilution, are 1,784 million, 1,781 million and 1,760 million for 1998, 1997 and 1996, respectively.

The notes on pages 56 through 71 are an integral part of the consolidated financial statements.

Consolidated Balance Sheets

AT&T Corp. and Subsidiaries

Dollars in Millions	At December 31, 1998	1997
Assets		
Cash and cash equivalents	$ 3,160	$ 318
Marketable securities	—	307
Receivables, less allowances of $1,060 and $988		
Accounts receivable	8,652	8,675
Other receivables	403	5,684
Deferred income taxes	1,310	1,252
Other current assets	593	541
Total current assets	14,118	16,777
Property, plant and equipment-net	26,903	24,203
Licensing costs, net of accumulated amortization of $1,266 and $1,076	7,948	8,368
Investments	4,434	3,866
Long-term receivables	670	1,794
Prepaid pension costs	2,074	2,156
Other assets	3,403	2,830
Net assets of discontinued operations	—	1,101
Total assets	$ 59,550	$ 61,095
Liabilities		
Accounts payable	$ 6,226	$ 6,402
Payroll and benefit-related liabilities	1,986	2,390
Debt maturing within one year	1,171	4,085
Dividends payable	581	538
Other current liabilities	5,478	3,902
Total current liabilities	15,442	17,317
Long-term debt	5,556	7,857
Long-term benefit-related liabilities	4,255	3,142
Deferred income taxes	5,453	5,711
Other long-term liabilities and deferred credits	3,322	3,390
Total liabilities	34,028	37,417
Shareowners' Equity		
Common shares, par value $1 per share	1,754	1,789
Authorized shares: 6,000,000,000		
Outstanding shares: 1,753,595,962 at December 31, 1998; 1,789,013,000 at December 31, 1997		
Additional paid-in capital	15,195	17,121
Guaranteed ESOP obligation	(44)	(70)
Retained earnings	8,676	4,876
Accumulated other comprehensive income	(59)	(38)
Total shareowners' equity	25,522	23,678
Total liabilities and shareowners' equity	$ 59,550	$ 61,095

The notes on pages 56 through 71 are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Shareowners' Equity

AT&T Corp. and Subsidiaries

Dollars in Millions	1998		1997		1996	
	For the Years Ended December 31,					
Common Shares						
Balance at beginning of year	$ 1,789		$ 1,774		$ 1,746	
Shares issued (acquired), net:						
Under employee plans	2		2		20	
Under shareowner plans	—		—		8	
For acquisitions	15		6		—	
Other	(52)		7		—	
Balance at end of year	1,754		1,789		1,774	
Additional Paid-In Capital						
Balance at beginning of year	17,121		16,624		16,656	
Shares issued (acquired), net:						
Under employee plans	67		(8)		975	
Under shareowner plans	—		9		434	
For acquisitions	806		117		23	
Other	(2,799)		379		286	
Spin-offs of Lucent and NCR	—		—		(2,326)	
Debt conversion	—		—		264	
Reorganization	—		—		312	
Balance at end of year	15,195		17,121		16,624	
Guaranteed ESOP Obligation						
Balance at beginning of year	(70)		(96)		(254)	
Amortization	26		26		52	
Assumption by Lucent	—		—		106	
Balance at end of year	(44)		(70)		(96)	
Retained Earnings (Deficit)						
Balance at beginning of year	4,876		2,790		(773)	
Net income	6,398	$ 6,398	4,415	$ 4,415	5,793	$ 5,793
Dividends declared	(2,230)		(2,145)		(2,132)	
Treasury shares issued at less than cost	(370)		(187)		—	
Reorganization	—		—		(101)	
Other changes	2		3		3	
Balance at end of year	8,676		4,876		2,790	
Accumulated Comprehensive Income						
Balance at beginning of year	(38)		—		25	
Other comprehensive income (net of taxes of $(53),$(24),$42)	(21)	(21)	(38)	(38)	(25)	(25)
Total comprehensive income		$ 6,377		$ 4,377		$ 5,768
Balance at end of year	(59)		(38)		—	
Total shareowners' equity	$25,522		$23,678		$21,092	

AT&T accounts for treasury stock as retired stock and as of December 31, 1998, held 53.5 million shares.

In March 1990, we issued 13.4 million new shares of common stock in connection with the establishment of an Employee Stock Ownership Plan (ESOP) feature for the nonmanagement savings plan. The shares are being allocated to plan participants over 10 years commencing in July 1990 as contributions are made to the plan.

We have 100 million authorized shares of preferred stock at $1 par value. No preferred stock is currently issued or outstanding.

The notes on pages 56 through 71 are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

AT&T Corp. and Subsidiaries

Dollars in Millions	1998	1997	1996
	For the Years Ended December 31,		
Operating Activities			
Net income	$ 6,398	$ 4,415	$ 5,793
Deduct: Income from discontinued operations	10	100	173
Gain on sale of discontinued operations	1,290	66	162
Add: Extraordinary loss on retirement of debt	137	—	—
Income from continuing operations	5,235	4,249	5,458
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Gains on sales	(770)	(134)	(158)
Restructuring and other charges	2,362	—	—
Depreciation and amortization	4,629	3,982	2,819
Provision for uncollectibles	1,389	1,522	1,518
Increase in accounts receivable	(1,577)	(1,034)	(1,731)
(Decrease) increase in accounts payable	(467)	125	679
Net change in other operating assets and liabilities	5	(832)	(1,064)
Other adjustments for noncash items-net	(589)	623	566
Net cash provided by operating activities of continuing operations	10,217	8,501	8,087
Investing Activities			
Capital expenditures	(7,817)	(7,604)	(6,828)
Proceeds from sale or disposal of property, plant and equipment	104	169	145
Decrease (increase) in other receivables	6,403	(465)	3,499
Acquisitions of licenses	(97)	(435)	(267)
Sales of marketable securities	2,003	479	665
Purchases of marketable securities	(1,696)	(345)	(1,106)
Equity investment distributions and sales	1,516	583	186
Equity investment contributions	(1,281)	(484)	(504)
Net dispositions of businesses, net of cash acquired	4,507	1,507	2,145
Other investing activities-net	(60)	(160)	(23)
Net cash provided by (used in) investing activities of continuing operations	3,582	(6,755)	(2,088)
Financing Activities			
Proceeds from long-term debt issuances	17	—	1,060
Retirements of long-term debt	(2,610)	(737)	(1,497)
Issuance of common shares related to benefit plans-net	(325)	171	1,580
Treasury shares acquired other than for benefit plans	(2,964)	—	—
Dividends paid	(2,187)	(2,142)	(2,122)
(Decrease) increase in short-term borrowings-net	(3,033)	1,114	(5,301)
Other financing activities-net	53	54	1,985
Net cash used in financing activities of continuing operations	(11,049)	(1,540)	(4,295)
Net cash provided by (used in) discontinued operations	92	(84)	(1,595)
Net increase in cash and cash equivalents	2,842	122	109
Cash and cash equivalents at beginning of year	318	196	87
Cash and cash equivalents at end of year	$ 3,160	$ 318	$ 196

The notes on pages 56 through 71 are an integral part of the consolidated financial statements.

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(Dollars in millions unless otherwise noted, except per share amounts)

Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include all majority-owned subsidiaries. Investments in which we exercise significant influence but which we do not control (a 20% – 50% ownership interest) are accounted for under the equity method of accounting. This represents the majority of our investments. Investments in which we have less than a 20% ownership interest and in which there is no significant influence are accounted for under the cost method of accounting.

Currency Translation

For operations outside of the United States that prepare financial statements in currencies other than the U.S. dollar, we translate income statement amounts at average exchange rates for the year and we translate assets and liabilities at year-end exchange rates. We present these translation adjustments as a component of accumulated other comprehensive income within shareowners' equity.

Revenue Recognition

We recognize wireline and wireless services revenues based upon minutes of traffic processed and contracted fees. We recognize products and other services revenues when the products are delivered and accepted by customers and when services are provided in accordance with contract terms.

Advertising and Promotional Costs

We expense costs of advertising and promotions, including checks used to acquire customers, as incurred. Advertising and promotional expenses were $1,920, $1,995 and $2,533 in 1998, 1997 and 1996, respectively.

Investment Tax Credits

We amortize investment tax credits as a reduction to the provision for income taxes over the useful lives of the property that produced the credits.

Earnings Per Share

We calculate earnings per share in accordance with Statement of Financial Accounting Standard (SFAS) No. 128, "Earnings Per Share." We use the weighted-average number of common shares outstanding during each period to compute basic earnings per common share. Diluted earnings per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding. Dilutive potential common shares are additional common shares assumed to be exercised.

Cash Equivalents

We consider all highly liquid investments with original maturities of generally three months or less to be cash equivalents.

Marketable Securities

Marketable securities consist principally of commercial paper, federal agency notes, federal agency discount notes, corporate medium-term notes, corporate notes, bank notes and certificates of deposit with original maturity dates greater than three months. The carrying value of these securities approximates market value. Market value is determined by the most recently traded price of the security at the balance sheet date. All marketable securities are classified as available-for-sale securities under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized holding gains and losses are determined on the specific identification method and are presented as a component of accumulated other comprehensive income within shareowners' equity.

Property, Plant and Equipment

We state property, plant and equipment at cost and determine depreciation based upon the assets' estimated useful lives using either the group or unit method. The useful lives of communications and network equipment range from three to 15 years. The useful lives of other equipment ranges from three to seven years. The useful lives of buildings and improvements range from 10 to 40 years. The group method is used for most depreciable assets, including the majority of the telecommunications and network equipment. When we sell or retire assets depreciated using the group method, the cost is deducted from property, plant and equipment and charged to accumulated depreciation, without recognition of a gain or loss. The unit method is used primarily for large computer systems and support assets. When we sell assets that were depreciated using the unit method, we include the related gains or losses in other income-net.

We use accelerated depreciation methods primarily for digital equipment used in the telecommunications network, except for switching equipment placed in service before 1989, packet-switched technology and certain high-technology computer processing equipment. All other plant and equipment, including capitalized software, is depreciated on a straight-line basis.

Licensing Costs

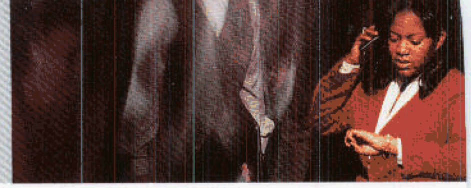
Licensing costs are costs incurred to develop or acquire cellular, personal communications services (PCS) and messaging licenses. Generally, amortization begins with the commencement of service to customers and is computed using the straight-line method over a period of 40 years.

Goodwill

Goodwill is the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for as purchases. We amortize goodwill on a straight-line basis over the periods benefited, ranging from five to 40 years.

Software Capitalization

In 1998, AT&T adopted Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This standard requires certain direct development costs associated with internal-use software to be



capitalized including external direct costs of material and services and payroll costs for employees devoting time to the software projects. These costs are included in other assets and are amortized over a period not to exceed three years beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred. AT&T also capitalizes initial operating system software costs and amortizes them over the life of the associated hardware.

AT&T capitalizes costs associated with software development in accordance with SFAS No. 86 "Accounting for Costs of Capitalized Software to be Sold, Leased or Otherwise Marketed" and related guidance. In accordance with this standard, AT&T capitalizes costs associated with the development of application software incurred from the time technological feasibility is established until the software is ready to provide service to customers. These capitalized costs are included in property, plant and equipment and are amortized over a three-year useful life.

Valuation of Long-Lived Assets

Long-lived assets such as property, plant and equipment, licenses, goodwill and software are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

Derivative Financial Instruments

We use various financial instruments, including derivative financial instruments, for purposes other than trading. We do not use derivative financial instruments for speculative purposes. Derivatives, used as part of our risk management strategy, must be designated at inception as a hedge and measured for effectiveness both at inception and on an ongoing basis. Gains and losses related to qualifying hedges of foreign currency firm commitments are deferred in current assets or liabilities and recognized as part of the underlying transactions as they occur. All other foreign exchange contracts are marked to market on a current basis and the respective gains or losses are recognized in other income-net. Interest rate differentials associated with interest rate swaps used to hedge AT&T's debt obligations are recorded as an adjustment to interest payable or receivable with the offset to interest expense over the life of the swaps. If we terminate an interest rate swap agreement, the gain or loss is recorded as an adjustment to the basis of the underlying asset or liability and amortized over the remaining life. Cash flows from financial instruments are classified in the Consolidated Statements of Cash Flows under the same categories as the cash flows from the related assets, liabilities or anticipated transactions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as long-term contracts, allowance for doubtful accounts, depreciation and amortization, employee benefit plans, taxes, restructuring reserves and contingencies.

Concentrations

As of December 31, 1998, we do not have any significant concentration of business transacted with a particular customer, supplier or lender that could, if suddenly eliminated, severely impact our operations. We also do not have a concentration of available sources of labor, services, or licenses or other rights that could, if suddenly eliminated, severely impact our operations.

Reclassifications

We reclassified certain amounts for previous years to conform with the 1998 presentation.

2 Supplementary Financial Information

Supplementary Income Statement Information

For the Years Ended December 31,	1998	1997	1996
Included in Depreciation and Amortization			
Amortization of licensing costs	$ 192	$ 163	$ 170
Amortization of goodwill	76	62	55
Included in Selling, General and Administrative			
Research and development expenses	$ 662	$ 851	$ 822
Other Income – Net			
Interest income	$ 322	$ 59	$ 49
Minority interests in earnings of subsidiaries	34	(12)	(12)
Net equity (losses) earnings from investments	(68)	31	48
Officers' life insurance	63	68	74
Gains on sales*	770	97	—
Sale/exchange of other cellular investments	131	75	158
Miscellaneous - net	(5)	125	88
Total other income - net	$ 1,247	$ 443	$ 405
Deducted from Interest Expense			
Capitalized interest	$ 197	$ 254	$ 193

*Includes gains on the sales of AT&T Solutions Customer Care of $350, LIN Television Corp. of $317 and SmarTone Telecommunications Holdings Limited of $103 in 1998 and the sale of AT&T Skynet Satellite Services of $97 in 1997.

Supplementary Cash Flow Information

For the Years Ended December 31,	1998	1997	1996
Interest payments net of amounts capitalized	$ 422	$ 250	$ 372
Income tax payments	2,881	2,416	2,136

Supplementary Balance Sheet Information

At December 31,	1998	1997
Property, Plant and Equipment		
Communications, network and other equipment	$44,806	$39,240
Buildings and improvements	7,098	6,810
Land and improvements	373	386
Total property, plant and equipment	52,277	46,436
Accumulated depreciation	(25,374)	(22,233)
Property, plant and equipment-net	$26,903	$24,203
Other Assets		
Unamortized goodwill	$ 2,205	$ 1,515
Deferred charges	484	733
Other	714	582
Total other assets	$ 3,403	$ 2,830

3 Discontinued Operations

On September 20, 1995, AT&T announced a plan, subject to certain conditions, to separate into three independent, publicly held, global companies: communications services (AT&T), communications systems and technologies (Lucent Technologies Inc., "Lucent") and transaction-intensive computing (NCR Corp., "NCR"). In April 1996, Lucent sold 112 million shares of common stock in an initial public offering (IPO), representing 17.6% of the Lucent common stock outstanding. Because of AT&T's plan to spin off its remaining 82.4% interest in Lucent, the sale of the Lucent stock was recorded as an equity transaction, resulting in an increase in AT&T's additional paid-in capital at the time of the IPO. In addition, in connection with the restructuring, Lucent assumed $3.7 billion of AT&T debt in 1996. On September 30, 1996, AT&T distributed to AT&T shareowners of record – as of September 17, 1996 – the remaining Lucent common stock held by AT&T. The shares were distributed on the basis of 0.324084 of a share of Lucent for each AT&T share outstanding.

On October 1, 1996, AT&T sold its remaining interest in AT&T Capital Corp. for approximately $1.8 billion, resulting in an after-tax gain of $162, or $0.09 per diluted share.

On December 31, 1996, AT&T also distributed all of the outstanding common stock of NCR to AT&T shareowners of record as of December 13, 1996. The shares were distributed on the basis of 0.0625 of a share of NCR for each AT&T share outstanding on the record date. As a result of the Lucent and NCR distributions, AT&T's shareowners' equity was reduced by $2.2 billion. The distributions of the Lucent and NCR common stock to AT&T shareowners were noncash transactions totaling $4.8 billion, which did not affect AT&T's results of operations.

On July 1, 1997, AT&T sold its submarine systems business (SSI) to Tyco International Ltd. for $850, resulting in an after-tax gain of $66, or $0.04 per diluted share.

On April 2, 1998, AT&T sold AT&T Universal Card Services Inc. (UCS) for $3,500 to Citibank. The after-tax gain resulting from the disposal of UCS was $1,290, or $0.72 per diluted share. Included in the transaction was a co-branding and joint marketing agreement. In addition, we received $5,722 as settlement of receivables from UCS.

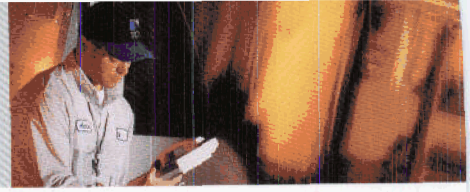
The consolidated financial statements of AT&T have been restated to reflect the dispositions of Lucent, NCR, AT&T Capital Corp., SSI, UCS and certain other businesses as discontinued operations. Accordingly, the revenues, costs and expenses, assets and liabilities, and cash flows of these discontinued operations have been excluded from the respective captions in the Consolidated Statements of Income, Consolidated Balance Sheets and Consolidated Statements of Cash Flows, and have been reported through the dates of disposition as "Income from discontinued operations, net of applicable income taxes;" as "Net assets of discontinued operations," and as "Net cash used in discontinued operations" for all periods presented. Gains associated with these sales are reflected as "Gain on sale of discontinued operations."

In 1997, we adopted SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Among other provisions, this standard requires that in connection with the transfer of financial assets, liabilities incurred should be measured at fair value and retained interests should be recorded as a portion of the original carrying amount of the transferred financial assets. This standard applies only to UCS and resulted in a substantial benefit to income from discontinued operations in 1997.

Summarized financial information for discontinued operations is as follows:

For the Years Ended December 31,	1998	1997	1996
Revenues	$ 365	$ 1,942	$23,979
Income (loss) before income taxes	16	150	(180)
Net income	10	100	173
Current assets	—	7,734	
Total assets	—	7,808	
Current liabilities*	—	5,602	
Total liabilities*	—	6,707	
Net assets of discontinued operations	$ —	$ 1,101	

*Current liabilities include $5,224 of debt maturing within one year, and total liabilities include an additional $1,093 of long-term debt at December 31, 1997, both of which were payable to AT&T and repaid by UCS in connection with the sale.



The income (loss) before income taxes includes allocated interest expense of $45 in 1996. Interest expense was allocated to discontinued operations based on a ratio of net assets of discontinued operations to total AT&T consolidated assets. No interest expense was allocated to discontinued operations in 1998 and 1997 due to the immateriality of the amounts; however, UCS recorded direct interest expense of $85, $297 and $383 in 1998, 1997 and 1996, respectively, primarily related to the amounts payable to AT&T.

4 Mergers, Acquisitions, Ventures and Dispositions

On December 8, 1998, AT&T and IBM announced a series of strategic agreements under which AT&T will acquire IBM's Global Network business for $5.0 billion in cash, and will enter into outsourcing contracts with each other. IBM will outsource a significant portion of its global networking needs to AT&T. AT&T will outsource certain applications-processing and data-center-management operations to IBM. The transaction, which is subject to regulatory and other approvals, is expected to be completed by mid-1999.

On October 5, 1998, AT&T announced that it had signed a definitive merger agreement to purchase Vanguard Cellular Systems Inc. (Vanguard) in a stock and cash transaction valued at approximately $1,500, including approximately $600 in debt. Under the terms of the agreement, each share of Vanguard stock would be exchanged for either 0.3987 of an AT&T share or $23.00 in cash, at each shareholder's option, subject to the limitation that the overall consideration will consist of 50% AT&T stock and 50% cash. The merger has been approved by the Board of Directors of both AT&T and Vanguard and is subject to various closing conditions including, among other things, the approval by Vanguard shareholders. The transaction is expected to close in the first half of 1999.

AT&T and British Telecommunications plc (BT) announced on July 26, 1998, that they will create a global venture to serve the complete communications needs of multinational companies and the international calling needs of businesses around the world. The venture, which will be owned equally by AT&T and BT, will combine transborder assets and operations of each company, including their existing international networks, all of their international traffic, all of their transborder products for business customers — including an expanding set of Concert services — and AT&T's and BT's multinational accounts in selected industry sectors. The formation of the venture is subject to certain conditions, including receipt of regulatory approvals. The transaction is expected to be completed by mid-1999. As a result of the joint venture agreement, AT&T will be required to exit certain operations which may be determined to compete directly with BT.

An $85 asset impairment charge was recorded in 1998 primarily for the write-down of unrecoverable assets in certain operations that compete directly with BT. AT&T continues to review the impact of the joint venture agreement on all of its international operations.

On July 23, 1998, AT&T completed the merger with Teleport Communications Group Inc. (TCG), pursuant to an agreement and plan of merger dated January 8, 1998. Each share of TCG common stock was exchanged for 0.943 of AT&T common stock, resulting in the issuance of 181.6 million shares in the transaction. The merger was accounted for as a pooling of interests, and accordingly, AT&T's results of operations, financial position and cash flows have been restated to reflect the merger. In 1998, we recognized $85 of merger-related expenses. Premerger TCG revenues were $455, $494 and $268, and net losses were $118, $223 and $115, for the six months ended June 30, 1998, and for the years ended December 31, 1997 and 1996, respectively. Elimination entries between AT&T and TCG were not material. On April 22, 1998, TCG purchased ACC Corp. (ACC), for an aggregate value of approximately $1,100, including approximately $700 in goodwill.

On March 3, 1998, AT&T sold its 45% common share interest in LIN Television Corp., a subsidiary of LIN Broadcasting Company, for $742 to Hicks, Muse, Tate and Furst Inc. We recognized a pretax gain of $317. Also on March 3, 1998, AT&T sold AT&T Solutions Customer Care to MATRIXX Marketing Inc., a teleservices unit of Cincinnati Bell for $625. AT&T recognized a pretax gain of $350 in 1998 on the sale. In the second quarter of 1998, AT&T sold its interest in SmarTone Telecommunications Holdings Limited. AT&T recognized a pretax gain of $103 on the sale. After taxes, these gains totaled approximately $0.27 per diluted share.

5 Restructuring and Other Charges

Restructuring and other charges of $2,514 for 1998 include $2,999 of restructuring charges recorded in connection with the 1998 cost reduction program partially offset by $940 of related settlement gains and $348 in reversals of 1995 restructuring reserves. Also included in the $2,514 is $718 of asset impairment charges and $85 of TCG merger-related charges.

On January 26, 1998, AT&T announced a plan to reduce headcount by 15,000 to 18,000 over two years as part of our overall cost reduction program. In connection with this plan, a voluntary retirement incentive program (VRIP) was offered to eligible management employees. Approximately 15,300 management employees accepted the VRIP offer. In connection with this plan, a pretax restructuring charge of $2,724 recorded in the second quarter of 1998 was composed of $2,254 and $169 for pension and postretirement special-termination benefits, respectively, $263 of curtailment losses and $38 of other administrative costs. Partially offsetting these restructuring charges were pretax settlement gains of $940 recorded in the second half of 1998 in connection with the settlement of the pension obligations covering about 13,700 of the total VRIP employees (see Note 8). Also recorded in the second quarter were pretax charges of $125 for related facility costs and $150 for executive-separation costs.

The VRIP offer was extended to management employees below executive level who were participants in the AT&T Management Pension Plan at any time from January 1, 1998, through January 21, 1998, inclusive. The individual had to be either on the active payroll or on an approved leave of absence with a guaranteed right of reinstatement. Additionally, to be eligible for the offer, the management employee had to meet the vesting requirements of the AT&T Management Pension Plan by the date he or she terminates employment.

A description of the various details about the program was distributed in February. In March, eligible employees received a more detailed written overview of the program, and seminars were offered in an effort to reinforce the content of the program. During the first week of April, detailed VRIP offer packages with estimates of employee-specific data were provided to eligible employees and one's irrevocable acceptance was required by May 22, 1998, to be valid. Employee exits were spread over three primary dates in 1998, June 30, September 30, and December 30. As of December 31, 1998, approximately 14,700 employees have terminated employment under the VRIP. The remaining 600 VRIP participants are anticipated to terminate employment in the first quarter of 1999.

In the fourth quarter of 1995, AT&T recorded a restructuring charge related to the exit of certain businesses. In the second quarter of 1998, we reversed $256 of this 1995 charge primarily as a result of an overlap of 3,400 employees accepting the VRIP offer with those who were already included in the previously established 1995 exit plans. Because the benefit cost of the VRIP offer was greater than AT&T's normal severance cost, AT&T had to increase its restructuring charge. AT&T accounted for this by recording the full charge to reflect the pension and postretirement special-termination benefits for all the employees accepting the VRIP offer and then eliminating the accrual of approximately $200 for the 3,400 employees under the 1995 plan. The balance of the reversal was due to certain reserves which were no longer deemed necessary based on this second-quarter review. An additional reversal of $92 was recorded in the fourth quarter of 1998 related to projects being completed at a cost lower than originally estimated.

The following table displays a rollforward of the activity and balances of the restructuring reserve account from December 31, 1996, to December 31, 1998:

Type of Cost	Dec. 31, 1996 Balance	1997 Additions	1997 Deductions	Dec. 31, 1997 Balance
Employee separations	$ 606	$ —	$ (193)	$ 413
Facility closings	528	—	(94)	434
Other	254	—	(194)	60
Total	$ 1,388	$ —	$ (481)	$ 907

Type of Cost	Dec. 31, 1997 Balance	1998 Additions	1998 Deductions	Dec. 31, 1998 Balance
Employee separations	$ 413	$ 150	$ (445)	$ 118
Facility closings	434	125	(190)	369
Other	60	—	(30)	30
Total	$ 907	$ 275	$ (665)	$ 517

Deductions reflect cash payments of $245 and $308 and noncash utilization of $420 and $173 for 1998 and 1997, respectively. Noncash utilization includes a reversal in 1998 of $348 related to the 1995 restructuring plan and a $100 reversal in 1997 of the pre-1995 balance. Other noncash utilization includes curtailment and transfers to deferred termination accounts for executives.

The remaining liability balance associated with the second quarter 1998 charge of $275 relating to facility costs and executive-separation costs was $194 at December 31, 1998. We believe that the remaining balance is adequate to complete these plans.

The restructuring reserve balance at December 31, 1998, includes $180 associated with the 1995 plan. This remaining balance is primarily related to lease payments extending beyond 1998. In many cases it was more appropriate from an economic standpoint to continue to lease excess space until the lease contract expires than to pay the penalties involved with early termination of the lease. As of December 31, 1998, of the 12,000 management and 5,000 occupational employees included under the 1995 exit plan, approximately 8,100 management and 3,700 occupational employees have been separated. In addition, approximately 3,400 employees left under the 1998 VRIP offer, as discussed above. Certain occupational separations are anticipated to occur during 1999 associated with projects pending completion at December 31, 1998. We believe that the remaining balance is adequate to complete these plans.

The balance at December 31, 1998, also includes $143 of pre-1995 charges primarily related to excess space in various leased facilities, which we expect to fully utilize over the remaining terms of the leases.

During 1998, AT&T recorded pretax asset impairment charges of $718, of which $633 was associated with the local initiative. Charges of $601 and $32 were recorded in the first and fourth quarters of 1998, respectively, related to our decision not to pursue Total Service Resale (TSR) as a local-service strategy. The Regional Bell Operating Companies have made it extremely diffi-

cult to enter the local market under a TSR strategy. After spending several billions of dollars in an attempt to enter this market, it became clear to AT&T that the TSR solution is not economically viable for the short term or the long term. A thorough financial and operational review was performed in the first quarter of 1998 using the criteria described in SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed." There were minimal revenues associated with TSR, which did not cover the direct costs associated with servicing these customers. In addition, the TSR software was designed and developed to uniquely support the TSR option and cannot be utilized to support other connectivity options. Based on these factors, it was determined that the assets were impaired and accordingly were written off in the first quarter of 1998. The fourth quarter charge was a result of further review of certain other assets associated with the local initiative. It was determined that these assets were impaired and could not be otherwise utilized in connection with the TCG merger. This charge of $633 included $543 for software, $74 for related assets associated with the ordering, provisioning and billing for resold local services and $16 for certain contractual obligations and termination penalties under several vendor contracts that were canceled during the first quarter as a result of this decision. AT&T received no operational benefit from these contracts once this decision was made.

Also reflected in the $718 charge was a fourth-quarter asset impairment charge of $85 primarily related to the write-down of unrecoverable assets in certain international operations in which the carrying value is no longer supported by future cash flows. This charge was made in connection with an ongoing review associated with the upcoming formation of a global joint venture with BT. Pursuant to the joint venture agreement with BT, AT&T will be required to exit certain operations that compete directly with BT.

6 Debt Obligations

Debt Maturing Within One Year

At December 31,	1998	1997
Commercial paper	$ —	$ 3,113
Currently maturing long-term debt	1,083	961
Other	88	11
Total debt maturing within one year	$ 1,171	$ 4,085
Weighted-average interest rate of short-term debt	5.6%	5.8%

A consortium of lenders provides revolving-credit facilities of approximately $1 billion to AT&T. These credit facilities are intended for general corporate purposes and were unused at December 31, 1998. In February 1999, we entered into a $7 billion revolving-credit facility with a consortium of 42 lenders. The 364-day facility is intended for general corporate purposes and will support our commercial paper issuances. In addition, we negotiated a $2 billion, 364-day, back-up facility with one institution. This facility will terminate when AT&T issues debt under the registration statement filed in 1999 and after the underlying commercial paper has been repaid.

Long-Term Obligations

At December 31,		1998	1997
Interest Rates (a)	Maturities		
Debentures and Notes (b)			
4.38% - 5.63%	1999-2001	$ 900	$ 1,575
6.00% - 7.75%	1999-2025	2,759	3,196
8.00% - 8.85%	1999-2031	2,754	2,756
9.60% - 11.13%	1999-2007	52	1,065
Variable rate	1999-2054	98	115
Total debentures and notes		6,563	8,707
Other		94	189
Less: Unamortized discount-net		18	78
Total long-term obligations		6,639	8,818
Less: Currently maturing long-term debt		1,083	961
Net long-term obligations		$ 5,556	$ 7,857

(a) Note that the actual interest paid on our debt obligations may have differed from the stated amount due to our entering into interest rate swap contracts to manage our exposure to interest rate risk and our strategy to reduce finance costs. (See Note 7.)

(b) In August 1998, AT&T extinguished $1,046 of TCG debt. This early extinguishment of debt was recorded as an extraordinary loss and resulted in a $217 pretax loss. The after-tax impact was $137, or $0.08 per diluted share. This debt reduction will produce significant savings in interest expense over time.

This table shows the maturities at December 31, 1998, of the $6,639 in total long-term obligations:

1999	2000	2001	2002	2003	Later Years
$ 1,083	$ 426	$ 657	$ 539	$ 15	$ 3,919

7 Financial Instruments

In the normal course of business we use various financial instruments, including derivative financial instruments, for purposes other than trading. We do not use derivative financial instruments for speculative purposes. These instruments include letters of credit, guarantees of debt, interest rate swap agreements and foreign currency exchange contracts. Interest rate swap agreements and foreign currency exchange contracts are used to mitigate interest rate and foreign currency exposures. Collateral is generally not required for these types of instruments.

By their nature, all such instruments involve risk, including the credit risk of nonperformance by counterparties, and our maximum potential loss may exceed the amount recognized in our balance sheet. However, at December 31, 1998 and 1997, in management's opinion there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments. We control our exposure to credit risk through credit approvals, credit limits and monitoring procedures. We do not have any significant exposure to any individual customer or counterparty, nor do we have any major concentration of credit risk related to any financial instruments.

Letters of Credit

Letters of credit are purchased guarantees that ensure our performance or payment to third parties in accordance with specified terms and conditions and do not create any additional risk to AT&T.

Guarantees of Debt

From time to time we guarantee the debt of our subsidiaries and certain unconsolidated joint ventures. Additionally, in connection with restructurings of AT&T in 1996, we issued guarantees for certain debt obligations of AT&T Capital Corp. and NCR. At December 31, 1998 and 1997, respectively, the amount of guaranteed debt associated with AT&T Capital Corp. and NCR was $108 and $120.

Interest Rate Swap Agreements

We enter into interest rate swaps to manage our exposure to changes in interest rates and to lower our overall costs of financing. We enter into swap agreements to manage the fixed/floating mix of our debt portfolio in order to reduce aggregate risk to interest rate movements. Interest rate swaps also allow us to raise funds at floating rates and effectively swap them into fixed-rates that are lower than those available to us if fixed-rate borrowings were made directly. These agreements involve the exchange of floating-rate for fixed-rate payments or fixed-rate for floating-rate payments without the exchange of the underlying principal amount. Fixed interest rate payments at December 31, 1998, are at rates ranging from 6.96% to 9.47%. Floating-rate payments are based on rates tied to LIBOR or U.S. treasury bills.

The following table indicates the types of swaps in use at December 31, 1998 and 1997, and their weighted-average interest rates. Average variable rates are those in effect at the reporting date and may change significantly over the lives of the contracts.

	1998	1997
Fixed to variable swaps-notional amount	$ 461	$ 422
Average receive rate	6.33%	7.54%
Average pay rate	5.31%	5.67%
Variable to fixed swaps-notional amount	$ 241	$ 249
Average receive rate	4.92%	5.70%
Average pay rate	7.68%	7.42%

The weighted-average remaining terms of the swap contracts are two years for 1998 and three years for 1997.

Foreign Exchange

We enter into foreign currency exchange contracts, including forward and option contracts, to manage our exposure to changes in currency exchange rates, principally French francs, German marks, British pounds sterling and Japanese yen. The use of these derivative financial instruments allows us to reduce our exposure to the risk of adverse changes in exchange rates on the eventual reimbursement to foreign telephone companies for their portion of the revenues billed by AT&T for calls placed in the United States to a foreign country and other foreign currency payables and receivables. These transactions are generally expected to occur in less than one year.

Fair Values of Financial Instruments Including Derivative Financial Instruments

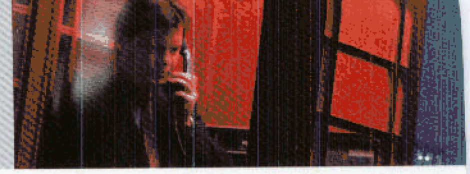
The following table summarizes the notional amounts of material financial instruments. The notional amounts represent agreed-upon amounts on which calculations of dollars to be exchanged are based. They do not represent amounts exchanged by the parties and, therefore, are not a measure of our exposure. Our exposure is limited to the fair value of the contracts with a positive fair value plus interest receivable, if any, at the reporting date.

Derivatives and Off Balance Sheet Instruments

	1998 Contract/ Notional Amount	1997 Contract/ Notional Amount
Interest rate swap agreements	$ 702	$ 671
Foreign exchange:		
Forward contracts	244	426
Option contracts	—	2
Letters of credit	184	63
Guarantees of debt	237	242

The following tables show the valuation methods, carrying amounts and estimated fair values of material financial instruments.

Financial Instrument	Valuation Method
Debt excluding capital leases	Market quotes or based on rates available to us for debt with similar terms and maturities
Letters of credit	Fees paid to obtain the obligations
Guarantees of debt	There are no quoted market prices for similar agreements available
Interest rate swap agreements	Market quotes obtained from dealers
Foreign exchange contracts	Market quotes



For debt excluding capital leases, the carrying amounts and fair values were $6,691 and $7,136, respectively, for 1998; and $11,875 and $12,312, respectively, for 1997.

	1998			
	Carrying Amount		Fair Value	
	Asset	Liability	Asset	Liability
Interest rate swap agreements	$ 5	$ 13	$ —	$ 19
Foreign exchange forward contracts	7	7	13	4

	1997			
	Carrying Amount		Fair Value	
	Asset	Liability	Asset	Liability
Interest rate swap agreements	$ 3	$ 10	$ 5	$ 31
Foreign exchange forward contracts	—	21	3	33

8 Pension, Postretirement and Other Employee Benefit Plans

We sponsor noncontributory defined benefit pension plans covering the majority of our employees. Pension benefits for management employees are principally based on career-average pay. Pension benefits for occupational employees are not directly related to pay. Pension trust contributions are principally determined using the aggregate cost method and are primarily made to trust funds held for the sole benefit of plan participants. We compute pension cost using the projected unit credit method.

Our benefit plans for current and future retirees include health-care benefits, life insurance coverage and telephone concessions. Postretirement trust contributions are determined using the attained-age-normal cost method for health-care benefits and the aggregate cost method for life-insurance plans.

The following table shows the components of the net periodic benefit costs:

For the Years Ended December 31,	Pension Benefits 1998	1997	1996	Postretirement Benefits 1998	1997	1996
Service cost-benefits earned during the period	$ 275	$ 305	$ 295	$ 56	$ 56	$ 53
Interest cost on benefit obligations	940	946	861	322	278	263
Amortization of unrecognized prior service cost	135	114	99	(2)	39	42
Credit for expected return on plan assets	(1,570)	(1,371)	(1,195)	(173)	(120)	(99)
Amortization of transition asset	(175)	(181)	(183)	—	—	—
Charges for special termination benefits	2,254	—	—	169	—	—
Net curtailment losses	140	—	—	141	—	—
Net settlement (gains) losses	(921)	5	—	—	—	—
Net periodic benefit cost (credit)	$1,078	$ (182)	$ (123)	$513	$ 253	$ 259

On January 26, 1998, we offered a voluntary retirement incentive program (VRIP) to employees who were eligible participants in the AT&T Management Pension Plan. Approximately 15,300 management employees accepted the VRIP offer. In connection with the VRIP, we recorded pretax charges for pension and postretirement plan special-termination benefits of $2,254 and $169, respectively. We also recorded pension and postretirement plan pretax charges of $120 and $143, respectively, which are included within net curtailment losses. The special-termination benefits reflect the value of pension benefit improvements and expanded eligibility for postretirement benefits. The VRIP also permitted employees to choose either a total lump-sum distribution of their pension benefits or periodic future annuity payments.

As of December 31, 1998, approximately 14,700 employees had terminated employment under the VRIP. AT&T has settled the pension obligations covering about 13,700 of these employees, the remainder of which either chose to defer commencing their pension benefits or elected to receive an annuity distribution. Lump-sum pension settlements totaling $4.6 billion, including a portion of the special-pension termination benefits referred to above, resulted in settlement gains of $940 recorded in the second half of 1998. The remaining 600 VRIP participants are anticipated to terminate employment in the first quarter of 1999.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended December 31, 1998 and 1997, and a statement of the funded status at December 31, 1998 and 1997, respectively:

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Change in benefit obligations:				
Benefit obligation, beginning of year	$14,481	$12,380	$ 4,356	$ 3,739
Service cost	275	305	56	56
Interest cost	940	946	322	278
Plan amendments	324	263	(95)	—
Actuarial losses	1,609	1,278	258	494
Benefit payments	(770)	(660)	(227)	(209)
Special termination benefits	2,254	—	169	—
Settlements	(4,676)	(31)	—	—
Curtailment losses (gains)	6	—	329	(2)
Benefit obligation, end of year	$14,443	$14,481	$ 5,168	$ 4,356
Change in fair value of plan assets:				
Fair value of plan assets, beginning of year	$20,513	$17,680	$ 1,969	$ 1,566
Actual return on plan assets	3,375	3,464	437	358
Employer contributions	125	60	297	254
Benefit payments	(770)	(660)	(227)	(209)
Settlements	(4,676)	(31)	—	—
Fair value of plan assets, end of year	$18,567	$20,513	$ 2,476	$ 1,969
At December 31,				
Funded (unfunded) benefit obligation	$ 4,124	$ 6,032	$(2,692)	$(2,387)
Unrecognized net gain	(3,495)	(4,130)	(36)	(227)
Unrecognized transition asset	(445)	(708)	—	—
Unrecognized prior service cost	961	904	63	166
Net amount recognized	$ 1,145	$ 2,098	$(2,665)	$(2,448)

Our pension plan assets include $85 and $75 of AT&T common stock at December 31, 1998 and 1997, respectively.

The following table provides the amounts recognized in our consolidated balance sheets:

	Pension Benefits		Postretirement Benefits	
At December 31,	1998	1997	1998	1997
Prepaid pension cost	$ 2,075	$ 2,156	$ —	$ —
Accrued benefit liabilities	(1,016)	(161)	(2,665)	(2,448)
Intangible asset	47	70	—	—
Accumulated other comprehensive income	39	33	—	—
Net amount recognized	$ 1,145	$ 2,098	$(2,665)	$(2,448)

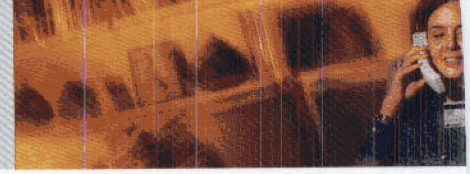
Our nonqualified pension plan had an unfunded accumulated benefit obligation of $135 and $166 at December 31, 1998 and 1997, respectively. Our postretirement health and telephone concession benefit plans have accumulated postretirement benefit obligations in excess of plan assets. The plans' accumulated postretirement benefit obligations were $4,461 and $3,740 at December 31, 1998 and 1997, respectively, which was in excess of plan assets of $1,408 and $1,108 at December 31, 1998 and 1997, respectively.

The assumptions used in the measurement of the pension and postretirement benefit obligations are shown in the following table:

	Pension and Postretirement Benefits		
At December 31,	1998	1997	1996
Weighted-average assumptions:			
Discount rate	6.5%	7.0%	7.5%
Expected return on plan assets	9.5%	9.0%	9.0%
Rate of compensation increase	4.5%	4.5%	5.0%

We assumed a rate of increase in the per capita cost of covered health-care benefits (the health-care cost trend rate) of 5.6%. This rate was assumed to gradually decline after 1998 to 4.8% by the year 2009 and then remain level. Assumed health-care cost trend rates have a significant effect on the amounts reported for the health-care plans. A one percentage point increase or decrease in the assumed health-care cost trend rate would increase or decrease the total of the service and interest-cost components of net periodic postretirement health-care benefit cost by $14 and $12, respectively, and would increase or decrease the health-care component of the accumulated postretirement benefit obligation by $181 and $177, respectively.

We also sponsor savings plans for the majority of our employees. The plans allow employees to contribute a portion of their pretax and/or after-tax income in accordance with specified guidelines. We match a percentage of the employee contributions up to certain limits. Our contributions amounted to $204 in 1998, $201 in 1997 and $181 in 1996.



9 Stock-Based Compensation Plans

Under the 1997 Long-Term Incentive Program, which was effective June 1, 1997, we grant stock options, performance shares, restricted stock and other awards. There are 100 million shares of common stock available for grant with a maximum of 15 million common shares that may be used for awards other than stock options. The exercise price of any stock option is equal to the stock price when the option is granted. Generally, the options vest over three years and are exercisable up to 10 years from the date of grant. Under the 1987 Long-Term Incentive Program, which expired in April 1997, we granted the same awards, and on January 1 of each year 0.6% of the outstanding shares of our common stock became available for grant.

Under the 1997 Long-Term Incentive Program, performance share units are awarded to key employees in the form of either common stock or cash at the end of a three-year period based on AT&T's total shareholder return as measured against a peer group of industry competitors. Under the 1987 Long-Term Incentive Program, performance share units with the same terms were also awarded to key employees based on AT&T's return-on-equity performance compared with a target.

On August 1, 1997, substantially all of our employees were granted a stock option award to purchase 100 shares representing a total of 12.5 million shares of our common stock. The options vest after three years and are exercisable up to 10 years from the grant date.

Under the AT&T 1996 Employee Stock Purchase Plan (Plan), which was effective July 1, 1996, we are authorized to issue up to 50 million shares of common stock to our eligible employees. Under the terms of the Plan, employees may have up to 10% of their earnings withheld to purchase AT&T's common stock. The purchase price of the stock on the date of exercise is 85% of the average high and low sale prices of shares on the New York Stock Exchange for that day. Under the Plan, we sold approximately 2 million, 4 million and 3 million shares to employees in 1998, 1997 and 1996, respectively.

We apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for our plans. Accordingly, no compensation expense has been recognized for our stock-based compensation plans other than for our performance-based and restricted stock awards, Stock Appreciation Rights (SARs), and prior to July 1, 1996, for the stock purchase plan for former McCaw Cellular Communications Inc. employees. Compensation costs charged against income were $157, $110 and $46 in 1998, 1997 and 1996, respectively.

A summary of option transactions is shown below:

Shares in Thousands	1998	Weighted-Average Exercise Price	1997	Weighted-Average Exercise Price	1996	Weighted-Average Exercise Price
Outstanding at January 1,	73,981	$37.15	50,977	$32.39	50,082	$41.68
Lucent and NCR spin-off adjustments	—	—	—	—	22,678	—
Options granted	30,765	$62.53	38,310	$38.97	11,021	$41.27
Options and SARs exercised	(12,596)	$32.92	(11,101)	$24.51	(10,760)	$19.10
Options canceled or forfeited:						
Lucent and NCR spin-offs	—	—	—	—	(16,179)	$37.25
Other employee plans	(5,980)	$46.06	(4,205)	$40.09	(5,865)	$36.50
At December 31,						
Options outstanding	86,170	$45.68	73,981	$37.15	50,977	$32.39
Options exercisable	23,648	$34.69	22,981	$33.26	28,034	$28.81
Shares available for grant	61,225	—	90,345	—	25,856	—

Effective on the dates of spin-off of Lucent and NCR, AT&T stock options held by Lucent and NCR employees were canceled. For the holders of unexercised AT&T stock options, the number of options was adjusted and all exercise prices were decreased immediately following each spin-off date to preserve the economic values of the options that existed prior to those dates.

During 1998, 180,940 SARs were exercised and no SARs were granted. At December 31, 1998, 165,841 SARs remained unexercised, all of which were exercisable.

The following table summarizes information about stock options outstanding at December 31, 1998:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at Dec. 31, 1998 (in thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at Dec. 31, 1998 (in thousands)	Weighted-Average Exercise Price
$ 6.54 - $15.75	1,335	4.7	$ 9.23	1,215	$ 8.79
15.96 - 27.12	5,570	4.1	23.01	4,144	24.65
27.16 - 36.74	9,279	5.6	34.77	7,519	34.85
36.75	11,477	8.6	36.75	24	36.75
36.78 - 39.28	3,463	5.4	37.40	2,978	37.27
39.31	14,790	8.1	39.31	3,908	39.31
39.36 - 47.37	8,612	6.9	45.14	3,453	45.58
47.67 - 63.06	9,284	9.3	56.96	391	55.11
63.16	20,879	9.1	63.16	13	63.16
63.28 - 75.66	1,481	9.8	70.44	3	66.81
	86,170	7.8	$45.68	23,648	$34.69

AT&T has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." If AT&T had elected to recognize compensation costs based on the fair value at the date of grant for awards in 1998, 1997 and 1996, consistent with the provisions of SFAS No. 123, AT&T's net income and earnings per common share would have been reduced to the following pro forma amounts:

For the Years Ended December 31,	1998	1997	1996
Income from continuing operations	$ 5,078	$ 4,158	$ 5,385
Income from discontinued operations	7	99	146
Gain on sale of discontinued operations	1,290	66	162
Extraordinary loss	137	—	—
Net income	$ 6,238	$ 4,323	$ 5,693
Earnings per common share-basic:			
Continuing operations	$ 2.85	$ 2.34	$ 3.06
Discontinued operations	—	0.05	0.08
Gain on sale of discontinued operations	0.73	0.04	0.09
Extraordinary loss	0.08	—	—
Net income	$ 3.50	$ 2.43	$ 3.23
Earnings per common share-diluted:			
Continuing operations	$ 2.82	$ 2.33	$ 3.05
Discontinued operations	—	0.05	0.08
Gain on sale of discontinued operations	0.72	0.04	0.09
Extraordinary loss	0.08	—	—
Net income	$ 3.46	$ 2.42	$ 3.22

Without the effect of pro forma costs related to the conversion of options in the Lucent and NCR spin-offs, pro forma income from continuing operations was $5,415, or $3.06 per diluted common share in 1996.

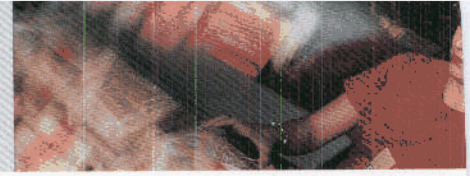
The pro forma effect on net income for 1998, 1997 and 1996 may not be representative of the pro forma effect on net income of future years because the SFAS No. 123 method of accounting for pro forma compensation expense has not been applied to options granted prior to January 1, 1995.

The weighted-average fair values at date of grant for options granted during 1998, 1997 and 1996 were $14.63, $9.09 and $13.12, respectively, and were estimated using the Black-Scholes option-pricing model. The weighted-average risk-free interest rates applied for 1998, 1997 and 1996 were 5.33%, 6.16% and 6.11%, respectively. The following assumptions were applied for 1998, 1997 and periods subsequent to the Lucent spin-off through December 31, 1996, respectively: (i) expected dividend yields of 2.1%, 2.2% and 2.8% (ii) expected volatility rates of 23.8%, 21.8% and 21.0% and (iii) expected lives of 4.5 years.

10 Income Taxes

The following table shows the principal reasons for the difference between the effective income tax rate and the U.S. federal statutory income tax rate:

For the Years Ended December 31,	1998	1997	1996
U.S. federal statutory income tax rate	35%	35%	35%
Federal income tax at statutory rate	$ 2,908	$ 2,440	$ 3,044
Amortization of investment tax credits	(13)	(14)	(21)
State and local income taxes, net of federal income tax effect	201	183	273
Amortization of intangibles	28	23	14
Foreign rate differential	63	117	131
Taxes on repatriated and accumulated foreign income, net of tax credits	(36)	(32)	19
Legal entity restructuring	(84)	—	(195)
Research credits	(74)	(63)	(13)
Other differences-net	79	69	(13)
Provision for income taxes	$ 3,072	$ 2,723	$ 3,239
Effective income tax rate	37.0%	39.0%	37.2%



The U.S. and foreign components of income from continuing operations before income taxes and the provision for income taxes are presented in this table:

For the Years Ended December 31,	1998	1997	1996
Income from Continuing Operations before Income Taxes			
United States	$ 8,318	$ 7,090	$ 8,900
Foreign	(11)	(118)	(203)
Total	$ 8,307	$ 6,972	$ 8,697
Provision for Income Taxes			
Current			
Federal	$ 2,908	$ 1,561	$ 2,290
State and local	251	194	400
Foreign	41	49	25
	$ 3,200	$ 1,804	$ 2,715
Deferred			
Federal	$ (172)	$ 851	$ 511
State and local	58	89	23
Foreign	—	(5)	11
	$ (114)	$ 935	$ 545
Deferred investment tax credits	(14)	(16)	(21)
Provision for income taxes	$ 3,072	$ 2,723	$ 3,239

The current income taxes payable balance was $1,393 and $434 at December 31, 1998 and 1997, respectively. The increase in the 1998 balance is primarily due to the accrued income taxes recorded in connection with the sale of UCS.

Deferred income tax liabilities are taxes we expect to pay in future periods. Similarly, deferred income tax assets are recorded for expected reductions in taxes payable in future periods. Deferred income taxes arise because of differences in the book and tax bases of certain assets and liabilities.

Deferred income tax liabilities and assets consist of the following:

At December 31,	1998	1997
Long-Term Deferred Income Tax Liabilities		
Property, plant and equipment	$ 7,324	$ 6,285
Investments	—	320
Other	776	1,185
Total long-term deferred income tax liabilities	$ 8,100	$ 7,790
Long-Term Deferred Income Tax Assets		
Business restructuring	$ 134	$ 162
Net operating loss/credit carryforwards	495	487
Employee pensions and other benefits – net	1,557	1,026
Reserves and allowances	126	93
Investments	39	—
Other	556	658
Valuation allowance	(260)	(347)
Total net long-term deferred income tax assets	$ 2,647	$ 2,079
Net long-term deferred income tax liabilities	$ 5,453	$ 5,711
Current Deferred Income Tax Liabilities		
Total current deferred income tax liabilities	$ 408	$ 177
Current Deferred Income Tax Assets		
Business restructuring	$ 79	$ 225
Employee pensions and other benefits	346	315
Reserves and allowances	896	617
Other	397	272
Total net current deferred income tax assets	$ 1,718	$ 1,429
Net current deferred income tax assets	$ 1,310	$ 1,252

At December 31, 1998, we had net operating loss carryforwards (tax-effected) for federal and state income tax purposes of $267 and $119, respectively, expiring through 2013. We also had foreign net operating loss carryforwards (tax-effected) of $82, which have no expiration date, as well as federal tax credit carryforwards of $30, which are not subject to expiration. We recorded a valuation allowance to reflect the estimated amount of deferred tax assets which, more likely than not, will not be realized.

11 Commitments and Contingencies

In the normal course of business we are subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to environmental and other matters. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at December 31, 1998. These matters could affect the operating results of any one quarter when resolved in future periods. However, we believe that after final disposition, any monetary liability or financial impact to us beyond that provided for at year-end would not be material to our annual consolidated financial statements.

We lease land, buildings and equipment through contracts that expire in various years through 2032. Our rental expense under operating leases was $742 in 1998, $853 in 1997 and $736 in 1996. The following table shows our future minimum lease payments due under noncancelable operating leases at December 31, 1998, which total $3,197. The total of minimum rentals to be received in the future under noncancelable subleases as of December 31, 1998, was $456.

1999	2000	2001	2002	2003	Later Years
$ 493	$ 450	$ 383	$ 320	$ 275	$ 1,276

12 Segment Reporting

AT&T's results are segmented according to our primary lines of business: business services, consumer services and wireless services. Our business services segment offers a variety of long distance voice and data services to business customers, including domestic and international, inbound and outbound, inter- and intra-LATA toll services, calling card and operator-handled services, and other network enabled services. In addition, the business services segment provides local services, and Web hosting and other electronic-commerce services. Our consumer services segment provides long distance voice services to residential customers. Such services include domestic and international long distance services, inter- and intra-LATA toll services, calling card and operator-handled calling services, and prepaid calling cards. In addition, local service is offered on a limited basis. Other service offerings include messaging, aviation communications and wireless data. Our wireless services segment offers wireless services and products to customers in 850 MHz markets and 1900 MHz markets.

Total assets for our reportable segments include all external assets for each segment. The majority of our deferred taxes and prepaid pension assets are held at the corporate level. Network assets are allocated to the segments based on the prior three years' volumes and are reallocated each January. Interest expense and the provision for income taxes are also held at the corporate level.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 1). AT&T evaluates performance based on several factors, of which the primary financial measure is earnings, including other income, before interest and taxes (EBIT).

Generally, AT&T accounts for business services' inter-segment telecommunications transactions at market prices.

We had $4,434, $3,866 and $4,001 of equity investments as of December 31, 1998, 1997 and 1996, respectively, the majority of which were held in the wireless services segment including our investment in AB Cellular. The loss or earnings on these investments were a loss of $16 for 1998, and earnings of $98 and $110 for 1997 and 1996, respectively.

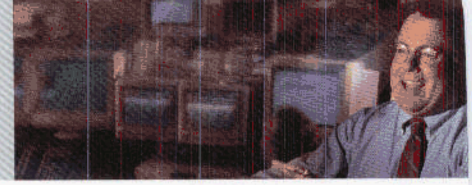
Revenues

For the Years Ended December 31,	1998	1997	1996
Business services external revenues	$21,808	$21,041	$20,665
Business services internal revenues	1,132	989	826
Total business services revenues	22,940	22,030	21,491
Consumer services external revenues	22,632	23,527	24,184
Wireless services external revenues	5,406	4,668	4,246
Total reportable segments	50,978	50,225	49,921
Other and corporate (a)	3,549	2,704	1,892
Eliminations	(1,304)	(1,352)	(1,125)
Total revenues	$53,223	$51,577	$50,688

(a) Included in other and corporate revenues are revenues from TCG including ACC, AT&T Solutions, international operations and ventures and AT&T WorldNet[SM].

Depreciation and Amortization

For the Years Ended December 31,	1998	1997	1996
Business services	$ 2,195	$ 1,757	$ 1,098
Consumer services	717	789	637
Wireless services	1,050	897	659
Total reportable segments	3,962	3,443	2,394
Other and corporate	667	539	425
Total depreciation and amortization	$ 4,629	$ 3,982	$ 2,819



Reconciliation of EBIT to Income Before Income Taxes

For the Years Ended December 31,	1998	1997	1996
Business services	$ 5,525	$ 4,592	$ 5,215
Consumer services	6,662	5,094	5,345
Wireless services	118	265	627
Total reportable segments' EBIT	12,305	9,951	11,187
Other and corporate EBIT	(3,538)	(2,665)	(2,201)
Elimination of intercompany EBIT	(33)	(7)	128
Interest expense	(427)	(307)	(417)
Total income before income taxes	$ 8,307	$ 6,972	$ 8,697

Assets

At December 31,	1998	1997	1996
Business services	$18,077	$15,030	$12,274
Consumer services	6,252	7,923	9,765
Wireless services	19,341	18,850	17,707
Total reportable segments	43,670	41,803	39,746
All other segments	7,565	6,683	5,187
Corporate assets:			
Prepaid pension costs	2,074	2,156	1,933
Deferred taxes	1,156	1,106	1,123
Net assets of discontinued operations	—	1,101	1,510
Other corporate assets	5,085	8,246	7,849
Total assets	$59,550	$61,095	$57,348

Capital Additions

For the Years Ended December 31,	1998	1997	1996
Business services	$ 4,978	$ 4,085	$ 2,538
Consumer services	457	921	1,867
Wireless services	2,372	2,158	2,404
Total reportable segments	7,807	7,164	6,809
Other and corporate	1,771	1,519	710
Total capital additions	$ 9,578	$ 8,683	$ 7,519

Geographic information is not presented due to the immateriality of revenues attributable to international customers.

Reflecting the dynamics of our business, we are reviewing our management model and structure which will result in adjustments to our segment discussion during 1999. While this is an evolving process, we anticipate changes as follows: The business services segment will be expanded to include the results of TCG and the business portion of AT&T WorldNet, and the consumer services segment will be expanded to include the residential portion of AT&T WorldNet.

13

New Accounting Pronouncement

In June 1998, the Financial Accounting Standard Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Among other provisions, it requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Gains and losses resulting from changes in the fair values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. This standard is effective for fiscal years beginning after June 15, 1999, though earlier adoption is encouraged and retroactive application is prohibited. For AT&T this means that the standard must be adopted no later than January 1, 2000. Management, based on its current operations and hedging strategies, does not expect the adoption of this standard to have a material impact on AT&T's results of operations, financial position or cash flows.

AT&T Corp. and Subsidiaries

14 Quarterly Information (Unaudited)

	1998 (1)				1997			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Revenues	$ 12,831	$ 13,211	$ 13,653	$ 13,528	$ 12,688	$ 12,896	$ 13,090	$ 12,903
Operating income (loss)	1,404	(459)	3,356	3,186	1,616	1,482	1,747	1,991
Income (loss) from continuing operations	1,285	(161)	2,123	1,988	1,043	877	1,078	1,251
Income from discontinued operations	10	—	—	—	38	31	20	11
Gain on sale of discontinued operations	—	1,290	—	—	—	—	66	—
Income before extraordinary loss	1,295	1,129	2,123	1,988	1,081	908	1,164	1,262
Extraordinary loss	—	—	137	—	—	—	—	—
Net income	$ 1,295	$ 1,129	$ 1,986	$ 1,988	$ 1,081	$ 908	$ 1,164	$ 1,262
Income (loss) per common share-basic:								
Continuing operations	$ .71	$ (.08)	$ 1.19	$ 1.13	$ .59	$ .49	$ .60	$ .70
Discontinued operations	.01	—	—	—	.02	.02	.01	.01
Gain on sale of discontinued operations	—	.71	—	—	—	—	.04	—
Before extraordinary loss	.72	.63	1.19	1.13	.61	.51	.65	.71
Extraordinary loss	—	—	.08	—	—	—	—	—
Net income	.72	.63	1.11	1.13	.61	.51	.65	.71
Income (loss) per common share-diluted:								
Continuing operations	$ .71	$ (.08)	$ 1.17	$ 1.12	$ .59	$ .49	$ .60	$ .69
Discontinued operations	.01	—	—	—	.02	.02	.01	.01
Gain on sale of discontinued operations	—	.71	—	—	—	—	.04	—
Before extraordinary loss	.72	.63	1.17	1.12	.61	.51	.65	.70
Extraordinary loss	—	—	.07	—	—	—	—	—
Net income	.72	.63	1.10	1.12	.61	.51	.65	.70
Dividends declared	.33	.33	.33	.33	.33	.33	.33	.33
Stock price*:								
High	$ 68	$ 67⅛	$ 60⅝	$ 79	$ 41⅞	$ 38¼	$ 45 15/16	$ 63 15/16
Low	58⅜	56 7/16	50⅛	57	34⅜	30¾	34¼	43 3/16
Quarter-end close	65¾	57⅛	58 7/16	75¾	34⅞	35 1/16	44¼	61 5/16

* Stock prices obtained from the Composite Tape

(1) In accordance with SOP 98-1, AT&T recorded pretax benefits of $50, $63, $44 and $42, or about $0.02, $0.03, $0.01 and $0.01 per diluted share, for the first through fourth quarters of 1998, respectively. AT&T adopted SOP 98-1 during 1998 and restated all quarters of 1998 as if the SOP was adopted on January 1, 1998.

15 Subsequent Events

On March 9, 1999, the merger with TCI announced on June 24, 1998, closed with each share of TCI Group Series A common stock converted into 0.7757 of AT&T common stock and each share of TCI Group Series B stock converted into 0.8533 of AT&T common stock. AT&T issued approximately 439 million shares for TCI shares, of which 339 million were newly issued shares and 100 million were treasury shares including the shares repurchased in February and March 1999. In addition, TCI combined Liberty Media Group, its programming arm, and TCI Ventures Group, its technology investments unit, to form the new Liberty Media Group. In connection with the closing, the shareowners of the new Liberty Media Group were issued separate tracking stock by AT&T in exchange for the shares held in Liberty Media Group and TCI Ventures Group.

Following is a summary of the pro forma results of AT&T as if the merger had closed effective January 1, 1997:

(Unaudited)	For the Nine Months Ended September 30, 1998	For the Year Ended December 31, 1997
Revenues	$44,375	$58,156
Income from continuing operations*	1,997	2,101
Net income*	3,160	2,267
Income from continuing operations, available to AT&T common shareowners**	2,603	3,052
Net income available to AT&T common shareowners**	3,766	3,218
Weighted-average AT&T common shares (millions)	2,135	2,115
Weighted-average AT&T common shares and potential common shares (millions)	2,215	2,189
Basic earnings per AT&T common share:		
Income from continuing operations	$ 1.22	$ 1.44
Net income	$ 1.76	$ 1.52
Diluted earnings per AT&T common share:		
Income from continuing operations	$ 1.18	$ 1.40
Net income	$ 1.70	$ 1.47

*Income from continuing operations and net income exclude the dividend requirements on preferred stock.

** Income available to AT&T common shareowners excludes the results of the new Liberty Media Group.

On January 8, 1999, we announced a $4.0 billion share repurchase program. In March 1999, we completed this program with the repurchase of 46.6 million shares.

On February 1, 1999, AT&T announced the formation of a joint venture with Time Warner to offer AT&T-branded cable-telephony service to residential and small-business customers over Time Warner's existing cable television systems in 33 states. The service is expected to be piloted in one or two cities in 1999 and begin broader commercial operations in 2000. In addition, the companies agreed to develop other broadband communications services such as video telephony. Under the terms of the agreement, AT&T will own 77.5% of the joint venture and will fund the joint venture's negative cash flow. However, it is anticipated that the joint venture will have positive cash flow and net earnings after three full years of operation. Subject to certain conditions, including definitive documentation and various approvals, the companies expect to close the joint venture in the second half of 1999.

On January 26, 1999, AT&T filed a registration statement with the Securities and Exchange Commission (SEC) for the offering and sale of up to $10 billion of notes and warrants to purchase notes. AT&T intends to use the proceeds from the sale of the notes and warrants for funding investments in subsidiary companies, capital expenditures, acquisitions of licenses, assets or businesses, refunding of debt and general corporate purposes. The amount and timing of the sales will depend on market conditions and the availability of other funds to AT&T.

On January 8, 1999, AT&T's Board of Directors announced the intention, following the completion of the TCI merger, to declare a three-for-two stock split of AT&T's common stock.

In addition, AT&T announced on January 8, 1999, that it had reached agreements with five TCI affiliates to form separate joint ventures to offer customers advanced communications services. AT&T, which expects to own 51% to 65% of each of these joint ventures, will have long-term exclusive rights to offer communications services over the systems of each of the five operators in return for one-time payments to be made when the systems meet certain performance milestones. AT&T expects to finalize joint ventures with Bresnan Communications, Falcon Cable TV, Insight Communications, InterMedia Partners and Peak Cablevision in early 1999, begin piloting the new services later in the year and then begin commercial operations in 2000.

Board of Directors and Senior Management

AT&T Board of Directors

C. Michael Armstrong, 60
Chairman of the Board and
Chief Executive Officer of AT&T
since 1997. 4,6

Kenneth T. Derr, 62
Chairman and
Chief Executive Officer,
Chevron Corporation,
an international oil company.
Director since 1995. 1,2

M. Kathryn Eickhoff, 59
President,
Eickhoff Economics Inc.,
economic consultants.
Elected to Board in 1987. 1,5

Walter Y. Elisha, 66
Retired Chairman and
Chief Executive Officer,
Springs Industries Inc.,
a textile manufacturer.
Director since 1987. 3,5

George M. C. Fisher, 58
Chairman and
Chief Executive Officer,
Eastman Kodak Company,
an imaging company.
Elected to Board in 1997. 2,5

Donald V. Fites, 64
Retired Chairman and
Chief Executive Officer,
Caterpillar Inc.,
an equipment manufacturer.
Director since 1997. 3,5

Ralph S. Larsen, 60
Chairman and
Chief Executive Officer,
Johnson & Johnson,
a pharmaceutical, medical and
consumer products company.
Elected to Board in 1995. 1,5

***John C. Malone, 57**
Chief Executive Officer,
Liberty Media Group,
a cable programming company.

Donald F. McHenry, 62
President,
IRC Group,
international relations consultants; former U.S. Ambassador
to the United Nations.
Director since 1986. 1,2,3,4

Michael I. Sovern, 67
President Emeritus and
Chancellor Kent Professor of
Law at Columbia University.
Elected to Board in 1984.
1,2,4,6

Sanford I. Weill, 65
Chairman and
Co-Chief Executive Officer,
Citigroup.
Director since 1998. 1,5

Thomas H. Wyman, 69
Former Chairman and
Chief Executive Officer,
CBS Inc.
Elected to Board in 1981.
2,3,4,6

John D. Zeglis, 51
President of AT&T.
Director since 1997. 3

1. Audit Committee
2. Compensation and Employee Benefits Committee
3. Governance and Nominating Committee
4. Executive Committee
5. Finance Committee
6. Proxy Committee

Ages are as of January 1, 1999.

*Expected to be elected to Board in 1999.

AT&T Senior Management Staff

C. Michael Armstrong
Chairman of the Board and
Chief Executive Officer

Harold W. Burlingame
Executive Vice President
Merger and Joint-Venture
Integration

James W. Cicconi
General Counsel and
Executive Vice President
Law and Government Affairs

Mirian Graddick
Executive Vice President
Human Resources

Daniel R. Hesse
President
AT&T Wireless Services

Leo J. Hindery, Jr.
President
AT&T Broadband Services

Frank Ianna
President
AT&T Network Services

Michael G. Keith
President
AT&T Business Services

H. Eugene Lockhart
Executive Vice President and
Chief Marketing Officer

Richard J. Martin
Executive Vice President
Public Relations and
Employee Communications

David C. Nagel
Chief Technology Officer and
President
AT&T Labs

John C. Petrillo
Executive Vice President
Corporate Strategy and
Business Development

Richard R. Roscitt
President
AT&T Solutions

Daniel H. Schulman
President
Consumer Long Distance and
Segment Marketing

Daniel E. Somers
Senior Executive Vice President
and Chief Financial Officer

John D. Zeglis
AT&T President

Other Officers

Nicholas S. Cyprus
Vice President and Controller

Edward M. Dwyer
Vice President and Treasurer

Marilyn J. Wasser
Vice President
Law and Secretary

Corporate Headquarters
AT&T Corp.
32 Avenue of the Americas
New York, NY 10013-2412

Shareowner Services
AT&T assists shareowners with a wide variety of stock-related matters through our transfer agent, Boston EquiServe Trust Company, N.A., including:

- Dividend reinvestment
- Direct deposit of dividends
- Transfer of ownership
- Change of address

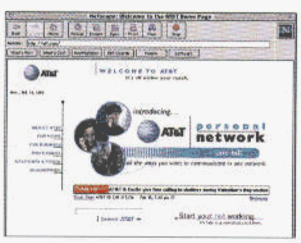
Mailing Address:
AT&T Shareowner Services
c/o Boston EquiServe
P.O. Box 8035
Boston, MA 02266-8035

Interactive voice response system (24 hours a day, seven days a week; representatives available Monday through Friday from 8 a.m. to 7 p.m. Eastern time):

Phone: 1-800-348-8288
TDD: 1-800-822-2794
Outside the United States: Call collect at 781-575-3777

E-mail: att@equiserve.com
Fax: 781-828-8813

AT&T on the World Wide Web
The AT&T home page – **http://www.att.com/** – is your entry point for a vast array of information about AT&T, including company news, details on products and services, demonstrations of advanced technologies and more.



You're encouraged to also visit AT&T's Investor Relations Web site at – **http://www.att.com/ir/** which offers real-time information on events relevant to shareowners and the financial community. Key features include online account access, downloadable financial data, quarterly earnings commentary, current and historical stock prices as well as instructions and forms for direct deposit of dividends, dividend reinvestment and change of address. You can also register to receive your AT&T Annual Report and proxy mailing notice via the Internet.

Stock Information
AT&T (ticker symbol "T") is listed on the New York Stock Exchange, as well as on the Boston, Chicago, Cincinnati, Pacific and Philadelphia exchanges in the United States, and on stock exchanges in Brussels, London, Paris and Geneva.

As of December 31, 1998, AT&T had 1.8 billion outstanding shares, held by more than 3.2 million shareowners.

Annual Meeting
The 114th Annual Meeting of Shareowners will convene at 9:30 a.m. at the George R. Brown Convention Center in Houston, Texas, on May 19, 1999.

Other Publications
The Form 10-K Annual Report and Form 10-Q Quarterly Reports to the Securities and Exchange Commission are available without charge by contacting Boston EquiServe and through the AT&T Investor Relations Web site (see earlier information).

Also available are:

Report on AT&T's Community Involvement
Activities (biannual)
AT&T Foundation
32 Avenue of the Americas
24th floor
New York, NY 10013

AT&T Environment, Health & Safety Report
Department AR
1200 Peachtree Street
Room 15W54
Atlanta, Georgia 30309

AT&T Foundation
In 1998, the AT&T Foundation donated $46 million to non-profit organizations in local communities to support education, health, culture and the environment. Over $20 million of these grants supported initiatives that helped families, schools and communities use new information technologies to enhance teaching and learning.

Telephone Pioneers of America
The Telephone Pioneers of America is a nonprofit organization of more than 800,000 active and retired employee volunteers from sponsoring companies within the telecommunications industry, including AT&T. In recent years, the Pioneers have contributed an average of 25 million hours annually and raised more than $25 million to support the environment and health and human services, with an overarching focus on education. More information is available by calling **1-800-258-0649**.

Minority and Women's Business Enterprise
As part of AT&T's Supplier Diversity Initiative, approximately $900 million of AT&T's total purchases last year were made from minority and women-owned business enterprises (MWBE). Additionally, AT&T was recognized for outstanding achievement in the area of MWBE development by the National Minority Supplier Development Council's Business Consortium Fund.

Environment, Health & Safety
AT&T is dedicated to creating a safe and healthy workplace for AT&T people, supporting the business, protecting the environment and maintaining AT&T's strong reputation as one of the top corporate environmental champions. As an example of using our technology to conserve natural resources, more information on AT&T's Environmental, Health and Safety (EH&S) initiatives may be found online in the 1997 AT&T EH&S Report located at **http://www.att.com/ehs/**.

This annual report is printed on recycled paper containing a minimum of 10% de-inked post-consumer fiber. Please recycle.

AT&T 32 Avenue of the Americas / New York, NY 10013-2412 / 212-387-5400 / www.att.com

Northern Trust

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675
USA
TEL 312.630.6000

October 28, 1999

Mr. Richard Tudor
Division of Records and Reporting
The Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee FL 32399-0850

RE: AT&T

Dear Mr. Tudor:

We are pleased to reply to your request for a credit reference on our above named customer. The Northern Trust Company has maintained a longstanding banking relationship with AT&T since its postdivestiture reorganization in 1984 and with many of its predecessors for fifty years prior to that time. We currently provide significant credit support to the company and serve as one of its primary operations banks. We view AT&T and its subsidiaries in a very strong financial condition warranting our sizable credit support and representing an entirely satisfactory relationship.

Sincerely,

Eric Strickland

Eric Strickland
Vice President
Relationship Manager

SEABOARD SURETY COMPANY

HOME OFFICE: NEW YORK, NY

PROPOSAL BOND

Know all Men by these Presents:

THAT WE, **AT&T Corp., 32 Avenue of the Americas, New York, NY 10013**

as principal, and **SEABOARD SURETY COMPANY**, a corporation under the laws of the State of New York, having its principal place of business in the City of New York, New York, as surety, are held and firmly bound unto **The Florida Public Service Commission, Division of Records and Reporting; 2540 Shumard Oak Blvd. Tallahassee, FL 32399**

as obligee, in the sum of Five Hundred Thousand and 00/100--------------------DOLLARS, ($500,000.00) lawful money of the United States of America, for the payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

SIGNED, sealed and dated this 21st day of October 19 1999.

WHEREAS, the said principal is herewith submitting its proposal for

For the Provision of Telecommunications Relay Service for the State of Florida

THE CONDITION OF THE ABOVE OBLIGATION IS SUCH, that if the aforesaid principal shall be awarded the contract upon said proposal and shall within the required number of days after the notice of such award enter into a contract and give bond for the faithful performance of the contract, then this obligation shall be null and void; otherwise the principal and surety will pay unto the obligee the difference in money between the amount of the bid of the said principal and the amount for which the obligee may legally contract with another party to perform the said work if the latter amount be in excess of the former; but in no event shall the surety's liability exceed the penal sum hereof.

AT&T Corp.

Principal

By James P. Li

James P. Li Treasury Manager

SEABOARD SURETY COMPANY

By Tracey D. Watson

Tracey D. Watson, Attorney-in-Fact

COUNTERSIGNED BY:

Ileana Perez

LICENSED RESIDENT AGENT

Form 136

STATE OF NEW JERSEY

COUNTY OF Middlesex

On this 21st day of October, 19 99, before me personally came James P. Li to me known and who, being duly sworn by me, did depose and say that (he) (she) resides at Basking Ridge; and that (he) (she) is the Treasury Manager of the corporation described in and that executed the foregoing instrument.

Brian E. Stuhr

My Commission Expires
04-01-2001

Brian Stuhr
(Notary Public)

The St Paul

POWER OF ATTORNEY

Seaboard Surety Company
St. Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company

United States Fidelity and Guaranty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.

Power of Attorney No. 20305

Certificate No. [illegible]

KNOW ALL MEN BY THESE PRESENTS: That Seaboard Surety Company is a corporation duly organized under the laws of the State of New York, and that St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company and St. Paul Mercury Insurance Company are corporations duly organized under the laws of the State of Minnesota, and that United States Fidelity and Guaranty Company is a corporation duly organized under the laws of the State of Maryland, and that Fidelity and Guaranty Insurance Company is a corporation duly organized under the laws of the State of Iowa, and that Fidelity and Guaranty Insurance Underwriters, Inc. is a corporation duly organized under the laws of the State of Wisconsin *(herein collectively called the "Companies")*, and that the Companies do hereby make, constitute and appoint

Migdalia Otero, Paula Yip-Ying, Hillary Baylor, J. Holland, Shirley Dewely, Jeremy Wilder, Kelly R. Bratton, Vincent Moy, Theresa Giraldo, Ana W. Oliveras, Tracey D. Watson, Sheilah McGuckin, Terry Ann Gonzales-Selman, Kimberly A. Bruno, Jennifer Caldarella, Robyn Walsh, Beverly Woolford, Rosemarie Foley and James F. Hall

of the City of New York, State New York, their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign its name as surety to, and to execute, seal and acknowledge any and all bonds, undertakings, contracts and other written instruments in the nature thereof on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

IN WITNESS WHEREOF, the Companies have caused this instrument to be signed this 13th day of April, 1999.

Seaboard Surety Company
St. Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company

United States Fidelity and Guaranty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.

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Michael B. Keegan
MICHAEL B. KEEGAN, Vice President

Michael R. McKibben
MICHAEL R. MCKIBBEN, Assistant Secretary

State of Maryland
City of Baltimore

On this 13th day of April, 1999, before me, the undersigned officer, personally appeared Michael B. Keegan and Michael R. McKibben, who acknowledged themselves to be the Vice President and Assistant Secretary, respectively, of Seaboard Surety Company, St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, United States Fidelity and Guaranty Company, Fidelity and Guaranty Insurance Company, and Fidelity and Guaranty Insurance Underwriters, Inc. and that they, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the names of the corporations by themselves as duly authorized officers.

In Witness Whereof, I hereunto set my hand and official seal.

My Commission expires the 13th day of July, 2002.

REBECCA EASLEY-ONOKALA NOTARY PUBLIC BALTIMORE CITY MD

Rebecca Easley-Onokala
REBECCA EASLEY ONOKALA, Notary Public

This Power of Attorney is granted under and by the authority of the following resolutions adopted by the Boards of Directors of Seaboard Surety Company, St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, United States Fidelity and Guaranty Company, Fidelity and Guaranty Insurance Company, and Fidelity and Guaranty Insurance Underwriters, Inc. on September 2, 1998, which resolutions are now in full force and effect, reading as follows:

RESOLVED, that in connection with the fidelity and surety insurance business of the Company, all bonds, undertakings, contracts and other instruments relating to said business may be signed, executed, and acknowledged by persons or entities appointed as Attorney(s)-in-Fact pursuant to a Power of Attorney issued in accordance with these resolutions. Said Power(s) of Attorney for and on behalf of the Company may and shall be executed in the name and on behalf of the Company, either by the Chairman, or the President, or any Vice President, or an Assistant Vice President, jointly with the Secretary or an Assistant Secretary, under their respective designations. The signature of such officers may be engraved, printed or lithographed. The signature of each of the foregoing officers and the seal of the Company may be affixed by facsimile to any Power of Attorney or to any certificate relating thereto appointing Attorney(s)-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and subject to any limitations set forth therein, any such Power of Attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company, and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is validly attached; and

RESOLVED FURTHER, that Attorney(s)-in-Fact shall have the power and authority, and, in any case, subject to the terms and limitations of the Power of Attorney issued them, to execute and deliver on behalf of the Company and to attach the seal of the Company to any and all bonds and undertakings, and other writings obligatory in the nature thereof, and any such instrument executed by such Attorney(s)-in-Fact shall be as binding upon the Company as if signed by an Executive Officer and sealed and attested to by the Secretary of the Company.

I, Michael R. McKibben, Assistant Secretary of Seaboard Surety Company, St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, United States Fidelity and Guaranty Company, Fidelity and Guaranty Insurance Company, and Fidelity and Guaranty Insurance Underwriters, Inc. do hereby certify that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which is in full force and effect and has not been revoked.

IN TESTIMONY WHEREOF, I hereunto set my hand this ______ day of OCT 21 1999.

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Michael R. McKibben
Michael R. McKibben, Assistant Secretary

To verify the authenticity of this Power of Attorney, call 1-800-421-3880 and ask for the Power of Attorney clerk. Please refer to the Power of Attorney number, the above-named individuals and the details of the bond to which the power is attached.

ACKNOWLEDGMENT OF ANNEXED INSTRUMENT

STATE OF NEW YORK

COUNTY OF NEW YORK

On this 21st day of October, 19 99 before me personally came Tracey D. Watson to me known who being by me duly sworn, did depose and say that he/she resides in New York, NY; that he/she is the Attorney-in-Fact of the SEABOARD SURETY COMPANY, the corporation described in and which executed the above instrument; that he/she knows the seal of said corporation; that it was so affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he/she signed his/her name thereto by like order; and the affiant did further depose and say that the Superintendent of Insurance of the State of New York, has pursuant to Section 327 of the Insurance Law of the State of New York issued to Seaboard Surety Company his certificate of qualification, evidencing the qualification of said company and its sufficiency under any law of the State of New York as surety and guarantor, and the propriety of accepting and approving it as such; and that such certificate has not been revoked.

ANA W. OLIVERAS
NOTARY PUBLIC, State of New York
No. [illegible]
Qualified in Bronx County
Commission Expires Jan. 14, ~~19~~ 2001

Ana W. Oliveras
Notary Public

Financial Statement - March 31, 1999

Seaboard Surety Company

Assets

Bonds	$234,860,246
Stocks	13,497,721
Cash on Hand/Deposit	136,664
Short Term Investments	3,871,376
Agent's Balances	9,344,768
Funds Held Dep. with Reins. Co.	248,591
Reinsurance Recoverable	449,910
EDP Equipment	475,089
Accrued Interest & Dividends	2,831,403
Equity/Deposits/Pools & Assoc.	571,837
Other Assets	662,040
Total Assets	$266,949,645

Liabilities, Surplus & Other Funds

Losses		$ 70,641,029
Reins. Payable on Paid Losses		205,320
Loss Adjustment Expenses		15,246,663
Contingent Commissions		144,182
Other Expenses		1,157,625
Taxes, Licenses and Fees		316,708
Federal & Foreign Income Taxes		358,715
Unearned Premiums		16,153,400
Fund Held - Reins. Treaties		224,515
Remittances and Items not Alloc		114,821
Drafts Outstanding		797,251
Due to Affiliates		3,465,300
Payable for Securities		962,130
Total Liabilities		109,787,659
Capital Paid Up	5,000,000	
Surplus	152,161,986	
Surplus as Regards Policyholders		157,161,986
Total Liabilities & Surplus		$266,949,645

Securities carried at $8,113,941 in the foregoing statements, are deposited as required by law.

STATE OF MINNESOTA)
) SS
COUNTY OF RAMSEY)

Virginia D. Briol, Financial Reporting Officer of the Seaboard Surety Company, being duly sworn, deposes and says that she is the above described officer of said company; that said company is a corporation duly organized, existing and engaging in business as a surety company under and by virtue of the laws of the State of New York, and has duly complied with all requirements of the laws of said state applicable to said company and is duly qualified to act as surety under such laws; that the above is a true statement of the assets and liabilities of said company of the 31st day of March, 1999.

Subscribed and sworn to before me this 9th day of June, 1999.

M M DuBois

M M DUBOIS
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2000

Virginia D. Briol

Virginia D. Briol, Financial Reporting Officer