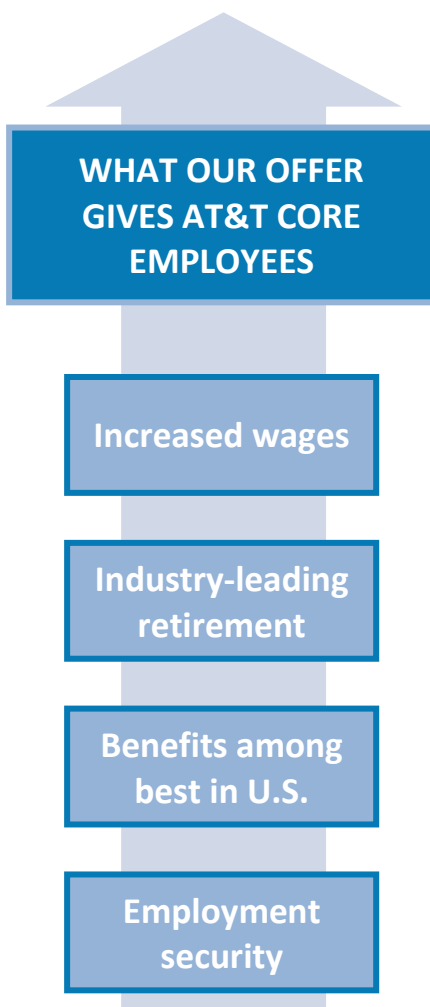


Highlights of the Company's Last, Best and Final Offer to CWA District 6/Southwest



After months of negotiations, the company has provided a last, best and final offer for the contract covering Core wireline employees in the Southwest Region (CWA District 6). The district comprises the states of Missouri, Oklahoma, Kansas, Arkansas and Texas.

Bargaining continues in all other regions – West (CWA District 9), East (CWA District 1), Midwest (CWA District 4) and Legacy AT&T Corp. (CWA ComTech).

Virtually all employees covered by the last, best and final offer in Southwest will see a positive financial impact under the offer. A [calculator](#) is available on www.att.com/corebargaining which will show the estimated, cumulative value of wage increases combined with wage progression for each individual, as well as estimate the effect of health care changes.

This is a fair and reasonable offer that recognizes the contributions of employees by preserving good union jobs with good wages and benefits that are among the best in the nation. Even in this part of our business, which is experiencing substantial customer and revenue erosion, we are continuing our commitment to making an offer that preserves all of the elements of our compensation packages – wages, pension and health care – and doing so at a time when many other companies are making substantial cutbacks in these areas.

We urge the members covered by the Southwest Core Contract to give this offer careful consideration and to ask their union leadership for an opportunity to vote in favor of the proposal.

To help in your understanding of this offer, a video presentation from John Stankey, president and CEO of AT&T Operations, posted [here](#) on www.att.com/corebargaining, provides additional context about this offer.

Following are highlights of the offer.

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WAGES

Year 1 2% + \$500	Year 2 2.25%	Year 3 2.25%
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At a time when many employers are freezing or even reducing wages, Southwest Core Contract employees will receive **wage increases in all years of the offer**. A \$500 ratification bonus and retroactive pay to April 5, 2009, will be paid if the offer is ratified by Friday, June 5, 2009. The annual increases proposed are:

- **Year 1** – 2% general wage increase (\$500 ratification bonus, if ratified by June 5, 2009)
- **Year 2** – 2.25% general wage increase
- **Year 3** – 2.25% general wage increase

The compounded wage increase over the three-year term of the offer is more than 6.6 percent – and the effect of wage progression will mean an even greater total increase over the term of the contract.

HEALTH CARE



This offer will keep Southwest Core wireline union-represented employees with **one of the most robust health care plans in the nation and with lower costs than most other AT&T employees**, including managers and union-represented employees covered by other CWA contracts, as well as other U.S. workers.

Among key provisions, you should know that the offer:

- Provides **that the company will pay 100 percent of the cost of all network preventive care**, including items such as annual physicals and well-child care.
- Creates **company-funded health reimbursement accounts** – or HRA – with funds that will roll over each year, meaning that some employees may find that the HRA covers all of their health care costs.
- Provides that **employees who earn less would pay less** through deductibles and out-of-pocket maximums set at a percentage of annual pay.
- Protects employees from catastrophic loss through reasonable out-of-pocket limits, even in cases requiring major surgeries or extended hospital stays. What this means is that **AT&T pays every dime of your eligible medical costs beyond the annual out-of-pocket limits**.
- Allows for prescription pick-up at CVS pharmacies for prescriptions previously required to be filled by mail order only.
- Finally, as discussed between AT&T and the CWA, AT&T will introduce **wellness and health advocacy programs** – including health risk assessments, disease management programs, and clinical programs.

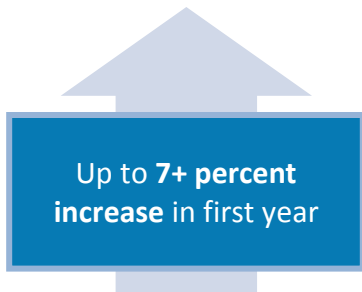
The average U.S. worker pays about 34 percent of their health care costs and the average AT&T manager pays about 32 percent. Under this proposal, you would pay, on average, approximately 14 percent of health care costs in Year 1, 17 percent in Year 2 and 20 percent in the final year of the contract.

The new health care plans would **go into effect on January 1, 2010**.

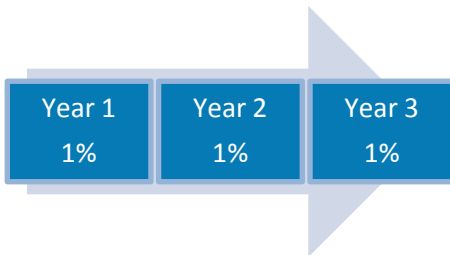
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CUMULATIVE FINANCIAL EFFECT



RETIREMENT



EMPLOYMENT SECURITY COMMITMENT (JOG)

SUCCESS SHARING PLAN

Virtually all Southwest wireline employees covered by the Core Contract will see a positive financial impact under this offer. In addition to wages and the ratification bonus, the company-funded Health Reimbursement Accounts (HRA) are designed to financially ease the transition to the new medical plan. The average HRA across the tiers of medical coverage is \$700 in the first year and \$400 in the second year. Employees are not taxed on HRA funds and the funds are available for you to use on any eligible medical expenses. See the “Health and Welfare Benefits for Current Employees” section of this document for further details.

Taking the **wage increase, ratification bonus and HRA into consideration**, an employee making \$50,000 and electing family coverage will see an increase of more than 5 percent in the first year of the contract. For an employee making \$30,000 and electing family coverage, he or she will see an increase of more than 7 percent in the first year of the contract. **When wage progression is considered, the increases will be even greater.**

Southwest Core Contract employees will receive **pension band increases of 1 percent in all years of the offer**. Few companies are offering such enhancements and some are abandoning retirement benefits entirely.

Additional details of proposed retirement benefits are as follows:

- Employees will **continue to be able to take a lump-sum pension payout upon retirement**. Consistent with the guidelines set forth in the Pension Protection Act of 2006, a new rate and methodology will be used to calculate certain Lump Sums and will be phased in beginning in 2010.
- Current employees will **continue in their 401(k) Savings Plan at the existing match rate**, another benefit that many other employers are reducing or eliminating.

The vast majority of Southwest Core Contract employees will **continue to enjoy employment security provisions that are virtually unheard of in most of corporate America today**. The company proposes a Job Offer Guarantee provision that promises qualified surplus employees opportunities with AT&T in selected subsidiaries within the five-state Southwest region.

All eligible employees covered by the Southwest Core Contract will have an opportunity to **share in the company’s success through a reward program keyed to AT&T stock appreciation**. Each employee will receive 100 Success Units per year that will be multiplied by increases in stock price over a year’s term. For example, if the stock price were to increase \$5 over a one-year term, the employee would receive \$500 under the plan.

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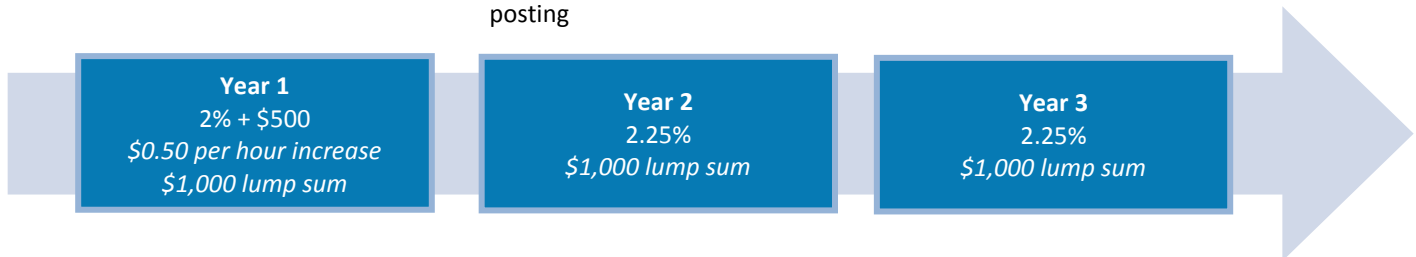
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PREMISES TECHNICIANS

Premises technicians covered by the Southwest Core Contract will receive a **50-cent-per-hour base increase in addition to the annual wage increases outlined above, plus a \$1,000 lump sum in each year of the contract**. Overall, these increases – along with wage progression – will result in an **average increase in compensation of more than 30 percent** over the three-year term of the offer.

Sunday differentials for premises technicians will be continued. In addition, improved work rules will be implemented, including:

- Reducing time in title from 36 months to 30 months
- Increasing overnight meal allowance to \$30 from \$25
- Imposing stricter requirements on management for furlough notice and schedule posting



NEW SALES TITLES

The offer establishes a sales title that provides an opportunity for **greater earnings potential through a combination of base wages and incentive plans**. This title will be available for existing employees, covered by the Southwest Core Contract, who voluntarily choose to go into the title, new hires and temporary conversions.

TEMPORARY RECLASSIFICATION

In response to union requests, the company offer agrees to the **conversion of most Southwest Core wireline temporary employees to regular employees**.

OTHER ITEMS

National Healthcare Reform – At CWA’s request, the company will support national healthcare reform through a new joint committee.

National Transfer Plan – Taking into consideration union proposals, the company agrees to expand a companywide National Transfer Plan that facilitates movement between participating bargaining units within the company. This plan provides employees with greater geographic flexibility in seeking opportunities in other parts of the country when they want to or must relocate.

Card Check – At CWA’s request, the company agrees to renew the current card check agreement, a model agreement that allows the union simplified access to organize new bargaining units.

Presidential Council – At CWA’s request, the company agrees to a Presidential Council, which is focused on discussions between key leaders from both parties on subjects of mutual concern.

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HEALTH AND WELFARE BENEFITS FOR CURRENT EMPLOYEES

The medical plan in our proposal keeps current Core wireline represented employees with one of the most robust plans in the nation. Our plan provides employees and their dependents with outstanding comprehensive medical coverage as well as wellness and preventive care. This plan promotes employee involvement in health care decisions and provides a company subsidy for the vast majority of total costs.

Preventive Care

All network preventive care is provided at no cost to participants. The company will pay for all eligible network expenses related to routine preventive care. Examples include:

- Annual physicals
- Immunizations
- Well-child care
- Colonoscopies
- Mammograms
- Pap tests
- Cancer screenings
- Nondiagnostic lab work and tests

Monthly Contributions

Employees will pay for access to medical coverage through modest monthly contributions. These monthly contributions are tied to the coverage tier elected by the employee. The contributions are as follows:

MONTHLY CONTRIBUTIONS FOR FULL-TIME EMPLOYEES

Coverage Tier	2010	2011	2012
Individuals	\$5	\$10	\$15
Individual +1	\$10	\$20	\$30
Family	\$15	\$30	\$45

Employees with working spouses are no longer required to pay an additional monthly contribution.

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Annual Deductibles

This plan has an annual deductible that works in the same manner as other types of insurance. For services outside of preventive care, you will pay the full cost for eligible expenses until you meet your annual deductible. As long as you obtain services from network providers, the cost you pay is based on discounted amounts negotiated for the plan. The deductibles are tied to wages so that those who earn less, pay less. The deductibles are as follows:

NETWORK DEDUCTIBLES

Coverage Tier	% of Annual Rate of Pay	Maximum Amount
Individuals	1%	\$500
Individual +1	2%	\$1,000
Family	3%	\$1,500

Non-network deductibles are three times the network amounts for each tier.

EXAMPLE 1

An employee making \$30,000 electing Individual coverage will have a network deductible of \$300 (\$30,000 x 1%).

EXAMPLE 2

An employee making \$45,000 electing Family coverage will have a network deductible of \$1,350 (\$45,000 x 3%).

EXAMPLE 3

An employee making \$60,000 electing Family coverage will have a network deductible of \$1,500 (\$60,000 X 3% = \$1,800, but the maximum amount of \$1,500 applies).

Coinsurance

Once your deductible has been met, you pay only a fraction of eligible medical expenditures. Coinsurance is the amount for which the employee is responsible, with the remainder being paid by the company. Coinsurance is paid only until the annual out-of-pocket maximum has been met.

COINSURANCE

Network Type	Employee Portion
Network	10%
Non-Network	40%

EXAMPLE 1

Assuming the deductible is met, for a network office visit with a total cost of \$120, the employee only pays \$12.

EXAMPLE 2

Assuming the deductible is met, for a network hospital visit with a total cost of \$2,000, the employee only pays \$200.

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Prescription Drugs

Once your deductible has been met, copays will apply for prescription drugs. Those copays are as follows:

DRUG COPAYS

Drug Type	Retail (up to a 30-day supply)	Mail Order (up to a 90-day supply)
Generic	\$10	\$20
Formulary	\$35	\$70
Non-Formulary	\$60	\$120

As an added benefit, employees will be able to pick up prescriptions at CVS retail locations and receive the lower mail order rates. This allows for prescription pick-up at CVS pharmacies for prescriptions previously required to be filled by mail order only, including maintenance drugs.

Annual Out-of-Pocket Maximum

The out-of-pocket maximum is a safety net for those participants with significant medical expenditures. Amounts paid in deductibles, coinsurance and copays all count toward the out-of-pocket maximum. **Once the out-of-pocket maximum is met, 100 percent of eligible expenses are paid by the company** for the remainder of the plan year. Like the deductible, the out-of-pocket maximum is tied to wages to further protect those who earn less. Consistent with the experience of our managers, we expect only a fraction of our bargained-for population will reach the out-of-pocket maximum.

NETWORK OUT-OF-POCKET MAXIMUMS

Coverage Tier	% of Annual Rate of Pay	Maximum Amount
Individual	4%	\$2,500
Individual +1	6%	\$4,000
Family	8%	\$5,300

Non-network out-of-pocket maximums are three times network for each tier.

EXAMPLE 1

An employee making \$30,000 electing Individual coverage will have a network out-of-pocket maximum of \$1,200 (\$30,000 x 4%). Even if this employee had \$60,000 in medical expenses for a year, the maximum amount they would pay is \$1,200 plus contributions, with the company paying \$58,800.

EXAMPLE 2

An employee making \$45,000 electing Family coverage will have a network out-of-pocket maximum of \$3,600 (\$45,000 x 8%).

EXAMPLE 3

An employee making \$60,000 electing Family coverage will have a network out-of-pocket maximum of \$4,800 (\$60,000 X 8%).

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Health Reimbursement Accounts (HRA)

To help with your transition to this medical plan, the company will be providing funding in Health Reimbursement Accounts (HRA) for the first two years of the agreement. These accounts can be used by employees to pay for eligible medical expenses when enrolled in a company-provided medical plan. The funding is based on your tier of coverage as follows:

COMPANY PROVIDED HRA ANNUAL AMOUNTS

Coverage Tier	2010	2011
Individual	\$350	\$200
Individual +1	\$700	\$400
Family	\$1,050	\$600

HRA funds are provided by the company and are tax free to the employee. The funds in these accounts will be fully available on January 1 of each year. Unused amounts can roll over into the next year. HRA dollars can be used by employees to pay for **all plan components** such as contributions, deductibles, coinsurance and copays as well as other eligible expenses. HRA will not be provided to those who chose to enroll in an HMO.

Health Flexible Spending Accounts (FSA)

The company will be increasing the maximum annual election available to employees who contribute to a Health FSA to \$10,000 per year. Health FSAs allow employees to set aside pre-tax dollars to reimburse themselves for eligible medical expenses incurred during the plan year. Health FSA dollars can be used by employees to pay for the plan components such as deductibles, coinsurance and copays as well as other eligible out-of-pocket expenses.

Health Advocacy/Wellness Plan

The company has committed to offer a Health Advocacy Plan focused on promoting good health and wellness. Components of the plan may include: health risk assessments, clinical programs such as nurseline services, wellness programs such as weight management and smoking cessation, disease management programs and consumer tools.

Other Benefits

- Regional Vision Plan with no contributions
- Regional Dental Plan with no contributions
- Employee Assistance Plan
- CarePlus
- Regional Disability Plan
- Regional Leaves of Absences
- Employer-Paid Life Insurance
- Access to Long Term Care Insurance
- Adoption Benefit
- Commuter Benefit

PLEASE NOTE: If there is any difference between the descriptions contained in these highlights and the plan texts, the plan texts shall govern.

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