
FREQUENTLY ASKED QUESTIONS

ON THE

TAX CONSEQUENCES

OF THE

AT&T/MEDIAONE MERGER

I. Will I be taxed on the cash and/or stock that I receive as a result of the merger?

In general, the receipt of AT&T shares will be tax-free, but all or a portion of the cash you receive will be taxable to the extent you must recognize gain on the transaction (as described in Number 2 below). You should consult your own tax advisor to determine the U.S. federal income tax consequences of the merger to you in light of your own personal circumstances, as well as any other consequences under other U.S., state, local, and foreign tax laws.

2. How do I estimate how much gain I may recognize as a result of the merger?

The gain, if any, is determined by first estimating your gain realized. This number is the result of the fair market value of AT&T shares plus cash you receive in the exchange, minus the MediaOne tax basis. The gain recognized is determined by comparing which amount is less – the cash or the gain realized (see Example 1).

Your gain will generally be a capital gain, and will be long-term or short-term depending upon your holding period in MediaOne. The examples on the following pages illustrate the calculation of gain in the merger. However, your facts may be different and you should consult your own tax advisor to determine the U.S. federal income tax consequences of the merger to you in light of your own personal circumstances, as well as any other consequences under other U.S., state, local, and foreign tax laws.

3. What is the fair market value of the AT&T shares received?

The fair market value of the AT&T shares received is the average of the high and low sale prices of AT&T common stock on the New York Stock Exchange on the merger effective date (June 15, 2000). The high was \$34.375. The low was \$33.250. The average of the high and low is \$33.8125.

4. What will my tax basis be for any AT&T shares that I receive as a result of the merger?

The aggregate tax basis of the AT&T shares you receive will equal the aggregate tax basis of the MediaOne shares you surrendered, increased by the amount of any gain you recognized and decreased by the amount of any cash you received. To determine the per share tax basis of the AT&T shares you receive, divide the aggregate tax basis by the total number of AT&T shares you received (including any fractional share which you will be deemed to receive).

5. How do I calculate my gain with respect to fractional shares that were cashed out? What market price will be used to determine the value of any cash payment for any fractional share I receive?

The merger agreement provides that any fractional share will be converted into cash on the basis of the closing price of AT&T on the New York Stock Exchange on the trading day immediately preceding the closing of the merger. The closing price of AT&T on June 14, 2000 (the day before the closing of the merger) was \$33.5625. You will be considered to have received your fractional share of AT&T and to have sold it for cash. You will recognize gain or loss with respect to the fractional share equal to the difference between the amount you receive for it and your tax basis. Your basis in the fractional share will be determined as set forth in Number 4 above. That gain or loss will be long-term or short-term based upon your holding period in the MediaOne shares.

Examples

Assume a holder of 100 MediaOne shares with a tax basis of \$2000.

Example I — Standard Election

For each share of MediaOne, the holder receives .95 shares of AT&T common stock plus \$36.27 cash (\$30.85 per share plus a top-up payment of \$5.42 per share).

In this example, the holder receives:

- 95 shares of AT&T (0.95 per share x 100 shares)
- \$3627 in cash (100 shares x \$36.27 per share)

The fair market value of each AT&T share received is \$33.8125. This is the average of the high and low sale prices of AT&T common stock on the date of the closing of the merger (June 15, 2000). In this example, the fair market value is \$3212.19 (95 shares x \$33.8125 per share).

GAIN REALIZED:

Fair Market Value of Shares		Cash		MediaOne Basis		Gain Realized
\$3212.19	+	\$3627	-	\$2000	=	\$4839.19

GAIN RECOGNIZED: (use whichever amount is smaller, cash received or gain realized)

Cash Received	Gain Realized	Gain Recognized
\$3627	\$4839.19	\$3627

AGGREGATE BASIS:

MediaOne Basis		Gain Recognized		Cash Received		Aggregate Basis
\$2000	+	\$3627	-	\$3627	=	\$2000

PER SHARE BASIS:

Aggregate Basis/Number of Shares		Per Share Basis
\$2000/95	=	\$21.05

Example 2 — Stock Election

For each share of MediaOne, the holder receives 1.4912 shares of AT&T common stock plus a cash top-up payment of \$8.50.

In this example, the holder receives:

- 149 whole shares of AT&T (1.4912 shares x 100 shares)
- \$850 in cash (\$8.50 per share x 100 shares))
- \$4.03 in cash for the 0.12 fractional share (.12 x \$33.5625 = \$4.03)

The merger agreement provides that any fractional share will be converted into cash on the basis of the closing price of AT&T on the New York Stock Exchange (NYSE) on the trading day immediately preceding the closing of the merger. On June 14, 2000, the trading day immediately prior to the closing of the merger, AT&T common stock closed at \$33.5625 on the NYSE.

The fair market value of each AT&T share received is \$33.8125. This is the average of the high and low sale prices of AT&T common stock on the NYSE on the date of the closing of the merger (June 15, 2000). In this example, the fair market value is \$5038.06 (149 shares x \$33.8125 per share).

GAIN REALIZED:

Fair Market Value of Shares		Cash		MediaOne Basis		Gain Realized
\$5038.06 + \$4.03	+	\$850	-	\$2000	=	\$3892.09

GAIN RECOGNIZED:

(use whichever amount is smaller, cash received or gain realized)

Cash Received	Gain Realized	Gain Recognized
\$850	\$3892.09	\$850

AGGREGATE BASIS:

MediaOne Basis		Gain Recognized		Cash Received		Aggregate Basis
\$2000	+	\$850	-	\$850	=	\$2000

PER SHARE BASIS:

Aggregate Basis/Number of Shares		Per Share Basis
\$2000/149.12	=	\$13.41

FRACTIONAL SHARE COMPUTATIONS:

Fractional Share		Per Share Basis		Fractional Share Basis
0.12	x	\$13.41	=	\$1.61

Cash		Fractional Share Basis		Fractional Share Gain
\$4.03	-	\$1.61	=	\$2.42 (in addition to the \$850 gain recognized above)

Example 3 — Cash Election

Due to heavy demand, the cash election was oversubscribed. This means only a portion of the election will be sent in cash and the remainder will be sent in shares of AT&T common stock. For accounts choosing the cash election, the proration resulted in 39.94925376% of the MediaOne shares being exchanged for cash and the remaining 60.05074624% of the MediaOne shares being exchanged for shares of AT&T common stock.

For each share of MediaOne, the holder receives approximately .895477 shares of AT&T common stock plus approximately \$39.06 cash (\$33.9569 per share – \$85 per share x the cash proration factor of .3994925376 – plus a cash top-up of \$5.1042). In this example, the holder receives:

- 89 whole shares of AT&T (100 shares x stock proration factor of .6005074624 x 1.4912 = 89.5477)
- \$3906.11 in cash (\$3395.69 + \$510.42 top-up payment)
 - Cash = \$33.9569 x 100 shares = \$3395.69
 - Top-up payment = \$5.1042 x 100 shares = \$510.42
- \$18.38 in cash for the 0.5477 fractional share (.5477 x \$33.5625 = \$18.38)

The merger agreement provides that any fractional share will be converted into cash on the basis of the closing price of AT&T on the New York Stock Exchange (NYSE) on the trading day immediately preceding the closing of the merger. On June 14, 2000, the trading day immediately prior to the closing of the merger, AT&T common stock closed at \$33.5625 on the NYSE.

The fair market value of each AT&T share received is \$33.8125. This is the average of the high and low sale prices of AT&T common stock on the NYSE on the date of the closing of the merger (June 15, 2000). In this example, the fair market value is \$3009.31 (89 shares x \$33.8125 per share).

GAIN REALIZED:

Fair Market Value of Shares		Cash		MediaOne Basis		Gain Realized
\$3009.31 + \$18.38	+	\$3906.11	-	\$2000	=	\$4933.80

GAIN RECOGNIZED: (use whichever amount is smaller, cash received or gain realized)

Cash Received	Gain Realized	Gain Recognized
\$3906.11	\$4933.81	\$3906.11

AGGREGATE BASIS:

MediaOne Basis		Gain Recognized		Cash Received		Aggregate Basis
\$2000	+	\$3906.11	-	\$3906.11	=	\$2000

PER SHARE BASIS:

Aggregate Basis/Number of Shares		Per Share Basis
\$2000/89.5477	=	\$22.33

FRACTIONAL SHARE COMPUTATIONS:

Fractional Share		Per Share Basis		Fractional Share Basis
0.5477	x	\$22.33	=	\$12.23

Cash		Fractional Share Basis		Fractional Share Gain
\$18.38	-	\$12.23	=	\$6.15 (in addition to the \$3906.11 gain recognized above)

AT&T on the World Wide Web

The AT&T home page – www.att.com – and the AT&T Wireless home page – www.attwireless.com – are your entry points for a vast array of information about AT&T and AT&T Wireless, including company news and details on products and services. You're also encouraged to visit the AT&T Investor Relations Web Site (www.att.com/ir) for up-to-the-minute information for shareowners and the financial community.

Shareowner Accounts

For questions on your AT&T shareowner account call our transfer agent, EquiServe, on 1-800-348-8288.

