



June 1, 2009

Dear Fellow Employee,

You are eligible to participate in the Supplemental Income Protection Program (SIPP) being offered in accordance with Article 26 of the CWA Collective Bargaining Agreement effective April 3, 2004. The material in this package has been especially prepared to assist you in considering the benefits of this offer so that you can make an informed decision based on your personal best interests.

Please note, if you are currently on an approved Family Medical Leave Act (FMLA) absence, the actual SIPP payment, if any, is contingent on your leaving the payroll on or before the estimated off payroll date of **July 8, 2009 or such other off payroll date as designated by management. This date may fall on or before your termination of benefits date.** If you accept and are approved to receive SIPP benefits, your employment with AT&T will be terminated, and you will not be entitled to any further benefits or protections under the SBC Disability Benefit Plan and/or FMLA.

This package includes your individual estimated SIPP calculation; a Q&A with answers to frequently asked questions about SIPP; tax information and a SIPP Acknowledgment Form. If you are vested under the SBC Pension Benefit Plan, and would like to get a pension calculation you may contact Fidelity Investments, the new administrator for pension, savings and stock ownership plans. Log on to <http://netbenefits.fidelity.com> or call the Fidelity Service Center at 1-800-416-2363.

To determine the medical coverage you would be entitled to, please refer to the CWA Collective Bargaining Agreement, Article 26 Section; Extended Medical Coverage. Although some information is included in this package, you may also wish to review the CWA Collective Bargaining Agreement for additional, specific information about SIPP.

If, after you have reviewed the enclosed information, you decide to participate in this SIPP offering, please complete the SIPP Employee Acknowledgment Form. This form indicates your agreement to participate in the Plan and the manner in which you elect to receive your SIPP payment. Please return the SIPP Acknowledgment Form to your Human Resources office indicated on the form no later than **5:00 pm CT/6:00 pm ET on June 30, 2009.** The SIPP Employee Acknowledgment Form is the only form that will need to be faxed in. Please keep a copy of the fax confirmation for your records.

Failure to return the SIPP Acknowledgment Form by 5:00 pm CT/6:00 pm ET on June 30, 2009 will be considered your rejection of the SIPP offer.

The Company according to business needs will determine the number of people whose requests for SIPP are granted and the actual off payroll dates. Those whose requests are accepted will be notified by their managers on or before **July 3, 2009.** Those accepted SIPP participants who are eligible for a vested or service pension should contact Fidelity Investments at <http://netbenefits.fidelity.com> or call the Fidelity Service Center at 1-800-416-2363 for information and forms related to payment options under the SBC Pension Benefit Plan.

It is important that you consider this offer carefully since your decision is irrevocable after 5:00 pm CDT/6:00 pm ET on June 30, 2009.

Should you have any questions regarding the enclosed information please refer them to your manager who will be able to help you, or call me at 216-822-0790. Please retain all documents regarding this offer for your future reference.

Sincerely,

Dennis Milota
Lead Human Resources Generalist
Supporting: Customer Information Services

Enclosures

Supplemental Income Protection Program (SIPP)
Frequently Asked Questions

1. Q: Must I participate in this SIPP offering?

A: *No. Participation in this SIPP offer is strictly voluntary.*

2. Q: If I am currently receiving short-term disability benefits or on a leave of absence am I eligible to accept this SIPP offer?

A: *You may be eligible to participate in this SIPP offer if your disability or leave of absence is currently covered by the provisions of the Family Medical Leave Act (FMLA). If your disability or leave of absence is currently covered by the 12 allowed weeks of FMLA time within a rolling twelve-month period, a SIPP offer will be made to you. If your disability is not covered under FMLA, you are not eligible for SIPP until you return to the payroll. However, the actual SIPP payment is contingent on your leaving the active payroll on or before the estimated off payroll date. This off payroll date may fall on or before your termination of benefits date. If you accept and are approved to receive SIPP benefits, your employment with SBC will be terminated, and you will not be entitled to any further benefits or protections under the SBC Disability Benefit Plan and/or FMLA.*

3. Q: How will I be notified if my election to take SIPP has been received and approved?

A: *Your manager will inform you that your decision to elect SIPP has been accepted and approved by the Company.*

4. Q: What if I change my mind concerning my initial decision to either accept or decline to participate in this SIPP offer?

A: *After 5:00 p.m. CT/6:00 p.m. ET on **June 30, 2009** your decision to elect or not elect SIPP is irrevocable. However, if you initially accept or decline this SIPP offer but change your mind BEFORE the end of the election period, you may submit a revised SIPP Acknowledgment Form to the Human Resources office indicated on the form, and share a copy with your manager.*

5. Q: How are SIPP payments calculated?

A: *SIPP payment calculations are based on an employee's basic weekly wage rate and years of Net Credited Service. The calculation table may be found in Article 26 of the CWA Collective Bargaining Agreement.*

6. Q: How does SIPP affect my SBC Pension Plan benefit calculation?

A: *SIPP payments are not included in your pension calculation and do not affect it in any way.*

7. Q: What happens to my Vacation and Excused Work Days?

A: *Based on your last day on the payroll, you will be compensated for any unused Vacation and Excused Work days.*

8. Q: When would my SIPP payment(s) start?

A: *Per Article 26 of the CWA Collective Bargaining Agreement, a SIPP lump sum shall be paid within sixty (60) days after the employee has left service and monthly SIPP payments shall begin within thirty (30) days after the employee has left service.*

9. Q: Can my SIPP payment be rolled into a retirement account?

A: *No, SIPP payments have Federal, FICA, State and Local taxes withheld. Read the "Important Tax Information" that is included in your packet.*

Supplemental Income Protection Program (SIPP)
Frequently Asked Questions (Continued)

10. **Q: Will I receive my SIPP payment as a Direct Deposit?**
- A: *No, SIPP payments are issued as a check and will be mailed to your home address.*
11. **Q: Can I determine my last day on the payroll?**
- A: *No.*
12. **Q: Are there any tax implications involved with SIPP payments?**
- A: *Please read the “Important Tax Information” document enclosed in this package. You may wish to consult with your tax advisor or financial consultant.*
13. **Q: If I am on FMLA and receiving benefits under the SBC Sickness and Accident Disability Benefit Plan and I decide to terminate employment to accept SIPP, what are the payment options available to me under the SBC Pension Plan?**
- A: *You are eligible to receive your vested or service pension in the form of an immediate or deferred to age 65 monthly annuity (with or without the joint and survivor annuity option) or a lump sum payment.*
14. **Q: If I am on FMLA and/or a leave of absence, and I decide to terminate employment to accept SIPP, what are the payment options available to me under the Pension Plan?**
- A: *You are eligible to receive your vested or service pension in the form of an immediate or deferred to age 65 monthly annuity (with or without the joint and survivor annuity option) or a lump sum payment.*
15. **Q: If I am not service pension eligible and decide to accept SIPP and terminate my employment, what benefit coverage will continue?**
- A: *Eligibility for Company paid medical benefits is subject to Article 26.61 of the Collective Bargaining Agreement between SBC Midwest and the CWA. Medical benefits are also subject to COBRA and may be continued up to a maximum of 18 months (including any coverage provided under Article 26.61) by enrolling within the required time frame and paying the appropriate premium as follows:*
- *An Employee whose NCS is 5 years or more will be eligible for coverage at Company expense for a period of 6 months. Cobra is available for an additional 12 months at employee’s expense.*
 - *An Employee whose NCS is at least 1 year but less than 5 years will be eligible for coverage at Company expense for a period of 3 months. COBRA is available for an additional 15 months at employee’s expense.*
 - *An Employee whose NCS is less than 1 year may elect to continue coverage at employee’s expense for a period of 18 months.*
- Eligibility for both dental and vision benefits is subject to COBRA, and may be continued for up to 18 months by enrolling within the required time frame and paying the appropriate premium. AT&T Health Benefits Enrollment Center (800-722-0022) will automatically send you information about continuing benefit coverage after you terminate employment.*
16. **Q: If I am interested in accepting the SIPP offer, what form(s) do I submit?**
- A: *If you are interested in accepting the SIPP offer, you must complete and return (via fax) the “Supplemental Income Protection Program (SIPP) - Employee Acknowledgment Form”. The SIPP Employee Acknowledgment Form is the **only** form that will need to be faxed in. The fax number is listed on the form. Once you have faxed the form, please forward the original (via company mail) to the address on the form.*

Important Tax Information

This document explains how taxes will be treated on payments related to your participation in the SIPP plan.

Federal State And Local Taxes

Federal, FICA, State and Local taxes will be withheld from each payment at the time the payment is made. If you receive monthly SIPP payments and you move your residence to another state and you don't want to continue the existing State withholding, notify the AT&T Payroll Office of your change in location and obtain a new State W4 form to cancel or change your state tax withholding. Note that AT&T can only deduct state and local taxes for states within the AT&T Midwest region and some states bordering the region. Canceling your state tax deduction makes you liable for payment of taxes in your new state of residence.

If you receive monthly SIPP payments, your Federal withholding will be computed using an annualized tax table. Since your previous withholding was computed based on a weekly or bi-weekly paid table, your federal withholding may have to be adjusted.

Consult with your tax advisor or financial consultant before making changes to your State or Federal W4.

SIPP Participants Who Leave Service In 2009:

SIPP payments made to you in 2009 will have all regular Federal, FICA, State and Local taxes withheld. If you receive a lump sum SIPP payment, the total amount of applicable taxes will be deducted from the lump sum payment. If you receive monthly SIPP payments, taxes will be deducted from each SIPP payment check.

Questions concerning how this will affect your personal finances should be referred to your tax advisor or financial consultant.

**PLEASE RETAIN ALL DOCUMENTS REGARDING
THIS OFFER FOR FUTURE REFERENCE.**