

AT&T SETTLEMENT

Frequently Asked Questions

The following questions and answers try to provide general guidance to municipal officials.

Specific questions regarding any of the matters described in these questions and answers may be directed to Class Counsel.

The following is a summary. While every effort has been made to be accurate, some matters have been simplified, and nothing in these questions and answers amends, waives, or takes precedence over, anything in the Settlement Agreement. Capitalized terms used in these questions and answers are defined in the Settlement Agreement.

What is this case about?

Many municipalities in Missouri have contended that AT&T Missouri a/k/a Southwestern Bell Telephone has been underpaying municipal business license taxes because AT&T excludes certain revenues from the municipal license tax base. After extensive litigation, attorneys for the municipalities and AT&T have entered into a settlement agreement of a class action law suit. The settlement agreement has been given preliminary approval by the circuit court of the City of St. Louis.

Based on the information available to both sides and the risks involved in a trial, attorneys for the class have concluded that the proposed settlement is fair, reasonable, and adequate, and that it serves the best interests of class members.

AT&T does not admit that the services it previously omitted from the tax base are subject to municipal ordinances but has agreed to this settlement and will pay certain amounts of allegedly due back taxes, and future taxes, to members of the “class.”

Under the settlement agreement, most municipalities in the “class” are entitled to payment of certain amounts of back taxes and all are entitled to payment of additional taxes in the future.

Who are the parties to this case?

The named plaintiffs in this class action are the Missouri cities of Wellston, Winchester, and University City. Plaintiffs filed this lawsuit as a class action to assert their own individual claims and to represent a class of all municipalities in Missouri who have similar claims.

The defendants—collectively “AT&T”—are Southwestern Bell Telephone Company d/b/a AT&T Missouri, f/k/a Southwestern Bell Telephone, L.P., SBC Long Distance, LLC d/b/a AT&T Long Distance, AT&T Messaging, Inc., AT&T Inc., American Information Technologies Corporation (Nevada), American Telephone and Telegraph Company, Ameritech Information Industry Services, Inc., Ameritech Publishing, Inc., Ameritech Services, Inc., AT&T Advanced Solutions, Inc. (now merged into AT&T Corp.), AT&T Advertising, L.P., AT&T Broadband Services Purchasing and Leasing, LLC, AT&T Capital Holdings International, Inc., AT&T Capital Holdings, Inc., AT&T Capital Services, Inc., AT&T Communications - East, Inc., AT&T Communications of the Southwest, Inc., AT&T Consulting Solutions, Inc., AT&T Corp., AT&T Credit Holdings, Inc., AT&T DataComm, Inc., AT&T Foundation, AT&T Global Network Services, LLC, AT&T Government Solutions, Inc., AT&T Information Systems, Inc., AT&T Labs, Inc., AT&T Management Services, L.P., AT&T Messaging, LLC, AT&T Network Procurement L.P., AT&T Operations, Inc., AT&T Services, Inc., AT&T Solutions, Inc., AT&T Technical Services Company, Inc., AT&T Technologies, Inc., AT&T Video Services, Inc., Bell South Long Distance, Inc. d/b/a AT&T Long Distance Service, L.M. Berry & Company, Missouri Bell Telephone Company, Pacific Bell Telephone Company, Resort WiFi Operating Corp., SBC Asset Management, Inc., SBC Global Services, Inc., SBC Internet Services, Inc., SBC Telecom, Inc., SBC Tower Holdings, LLC, SBCSI Purchasing & Leasing Limited Partnership, SNET of America, Inc. d/b/a AT&T Long Distance East, Southwestern Bell Yellow Pages, Inc., Southwestern Bell Yellow Pages Resources, Inc., Sterling Commerce (America), Inc., Sterling Commerce, Inc., SWBT Purchasing & Leasing Limited Partnership, TCG America, Inc., TCG Kansas City, Inc., TCG St. Louis, Inc., Teleport Communications Group, Inc., Wayport, Inc., and YellowPages.com, LLC.

What municipalities are in the “Settlement Class”?

All cities, towns and villages in Missouri

(1) which imposed a “business license tax” (see next Question) and

(2) in which AT&T Missouri or SBC Long Distance, LLC earned gross receipts.

Springfield is pursuing its own suit and is not a member of the Settlement Class.

What ordinances qualify? What is a “business license tax” for purposes of this case?

This is a key definition in the Settlement Agreement. Each municipality and its attorney should read the provisions there in case of any question.

In general, a “business license tax” for this settlement is a tax imposed on a “telephone company,” an “exchange telephone company,” a “telecommunications company,” a “public utility,” a “utility” or any similar entity or service provider that provides telephone, exchange telephone, telecommunications, or any other type of telecommunications service.

A Business License Tax does not include:

1. Any municipal sales tax;
2. Any municipal right-of-way usage fee, including but not limited to any fee imposed under the authority of a municipality’s police powers under Sections 67.1830 to 67.1846, RSMo;
3. Any tax or fee levied for emergency services under Section 190.292, 190.305, 190.325, 190.335, or 190.430, RSMo, or any future tax authorized by the Missouri General Assembly for emergency services;
4. Any rent for use of municipal premises; or
5. Any tax which would otherwise meet the definition of Business License Tax, but which is imposed solely as a flat amount, and not on the basis of a percentage of gross receipts.

What is “Telecommunications Service”?

“Telecommunications Service” has the same meaning as under the Missouri Sales Tax law, Section 144.010(13). This subsection says:

(13) "Telecommunications service", for the purpose of this chapter, the transmission of information by wire, radio, optical cable, coaxial cable, electronic impulses, or other similar means. As used in this definition, "information" means knowledge or intelligence represented by any form of writing, signs, signals, pictures, sounds, or any other symbols. Telecommunications service does not include the following if such services are separately stated on the customer's bill or on records of the seller maintained in the ordinary course of business:

(a) Access to the Internet, access to interactive computer services or electronic publishing services, except the amount paid for the telecommunications service used to provide such access;

(b) Answering services and one-way paging services;

(c) Private mobile radio services that are not two-way commercial mobile radio services such as wireless telephone, personal communications services or enhanced specialized mobile radio services as defined pursuant to federal law; or

(d) Cable or satellite television or music services.

Who pays the tax?

The tax is being paid by AT&T. AT&T Missouri is required to collect surcharges from its customers to reimburse it for the cost of the tax. The other Defendants are permitted to collect surcharges from their customers to reimburse their cost of the tax.

Because these surcharges are themselves treated as "gross receipts" that are included in the tax base of business license taxes imposed on gross receipts, these surcharges are calculated by AT&T using grossed-up rates that cover the cost of the additional tax in the surcharge. Thus, for example, AT&T may collect a 5.26% surcharge to cover the cost of a 5.00% gross receipts tax.

What compensation or benefits will the settlement provide?

The settlement, if it is finally approved by the Court, provides for the payment of back taxes and future taxes as described in more detail below.

How much in back taxes is a municipality entitled to?

The *estimated* amount the municipality is entitled to as calculated by AT&T is shown in the Notice and Claim Form sent to the municipality and is also reflected on Exhibit E to the Settlement Agreement. AT&T is agreeing to settle for up to \$65,000,000, inclusive of attorneys' fees, to be divided among (1) the Class Members which have timely and validly submitted a Claim Form, (2) St. Louis County, pursuant to a separate agreement between St. Louis County and AT&T, and (3) Class Counsel. Each municipality's share is determined by the formula in Exhibit G as follows:

A	B	C	D	E	F	G	H	I	J	K	L	BACK TAX PAYMENT
\$65M	Amt. of attorneys' fees approved by the Court	A - B	Gross receipts BLT paid or to be paid by AT&T Missouri in 2008 to a Class Member	Taxable Sales of SBC LD in 2008 in Class Member under MO State Sales Tax on Telecom.	Class Member's BLT Rate Effective on 6/30/08 For Class Members with a dual BLT rates, or a BLT rate for business customers only, a blended BLT rate was used	E x F	D+G	Sum of all the entries in the D Column (This will equate to Total Amt. of gross receipts BLT paid or to be paid by AT&T Missouri statewide in 2008 to St. Louis County and Municipalities (does NOT include City of Springfield, City of St. Louis, City of Cape Girardeau)	Sum of all the entries in the G Column This will equate to Total Amt. of Taxable Sales of SBC LD statewide in 2008 under MO State Sales Tax on Telecom for St. Louis County and Municipalities (does NOT include City of Springfield, or City of St. Louis) multiplied by appropriate BLT rates	I +J	H /K	C x L

When will the municipality receive a Claim Form?

A Claim Form and a Notice is to be sent by AT&T to each municipality in Missouri by July 17, 2009.

Is the amount on the Claim Form the exact amount the municipality will receive?

The amount on each municipality's Claim Form is an estimate based on the formula above (which is also set forth in Exhibit G to the Settlement Agreement). The amount could change. If municipalities not on Exhibit E above present valid claims, or if municipalities prove that they are entitled to more than their present estimate, then the share of other municipalities would decrease.

When will a municipality know exactly how much it will receive?

AT&T has advised the Court that it will hold a meeting by August 24, 2009, which all interested municipalities may attend in person or by telephone. At this time AT&T will review the claims it has received and advise municipalities of whether their estimated payments have been reduced because of claims. If a municipality is dissatisfied with its estimated payment at that time, AT&T has represented to the court that it would not oppose a municipality's motion to extend the time to opt out or to object to the settlement.

What about future taxes?

AT&T Missouri

Beginning November 1, 2009, AT&T Missouri has agreed to pay the applicable Business License Tax on revenues upon which AT&T Missouri already pays a business license tax to that class member PLUS certain revenues that it had previously excluded from the Business License Tax base, as follows:

- (i) revenues from any additional services that are subject to Missouri's state sales tax on "telecommunications service" as that term is

used in §§ 144.010.1(13), as restricted by § 144.030.1 RSMo (e.g., interstate commerce); PLUS

(ii) revenues as described in section (i) above from any retail customer which would otherwise be subject to the Missouri state sales tax but for an exemption for such customer from the state sales tax (e.g., not-for-profits under § 144.030.2(19) RSMo).

Services subject to the business license tax shall include, but not be limited to, FUSF, SUSF, intraLATA toll service, EUCL, and intrastate private line service. (Abbreviations are explained at the end of this FAQ.)

Services subject to the business license tax shall not include, inter alia, carrier access, revenues derived from separately-billed interstate services (although AT&T Missouri agrees to pay the tax on revenues from intraLATA interstate telephone service), Call Notes, and CPE. (Abbreviations are explained at the end of this FAQ.)

SBC Long Distance, LLC

Beginning November 1, 2009, SBC Long Distance, LLC, has agreed to pay the applicable Business License Tax on

(i) revenues from services that are subject to Missouri's state sales tax on "telecommunications service" as that term is used in §§ 144.010.1(13), as restricted by § 144.030.1 RSMo; PLUS

(ii) revenues as described in section (i) above from any retail customer which would otherwise be subject to the Missouri state sales tax but for an exemption for such customer from the state sales tax (e.g., not-for-profits under § 144.030.2(19) RSMo).

Services subject to the business license tax shall include, but not be limited to, intrastate long distance telephone services.

Services subject to the business license tax shall not include, inter alia, separately billed interstate long distance telephone services.

If other AT&T entities are providing products or services that are subject to Missouri's sales tax on "telecommunications service," they will also begin paying

Business License Taxes on November 1, 2009. If any AT&T entities begin offering new products or services that are subject to Missouri's sales tax on "telecommunications service," they will also pay Business License Taxes.

AT&T will pay gross receipts taxes on receipts from any customer exempt from the state sales tax, but will exclude gross receipts from any class of users that is specifically excluded under the municipality's Business License Tax ordinance. These exclusions are listed in Exhibit F to the Settlement Agreement.

Future taxes could also be affected by litigation or settlements involving Springfield or other municipalities. Municipalities may also affect future taxes by amending their ordinances.

How could the Springfield case or other litigation affect future taxes?

Springfield has a similar lawsuit pending against AT&T raising many of the same issues involved in this case. It is set for trial on February 10, 2010. If that case is settled or a final judgment is entered, that could affect the taxes owed by AT&T to other municipalities. A final judgment in favor of AT&T on one or more of the future tax items will apply to all municipalities with substantially similar telephone license tax ordinances. For example, if Springfield loses on EUCL, then AT&T would no longer include EUCL in the tax base of those municipalities with substantially similar ordinances. Any such impact would be prospective only, affecting only taxes payable after the final decision.

Likewise, a decision in favor of Springfield (or another municipality) on one or more of the future tax items which are not included in the Settlement Agreement will apply to all municipalities with substantially similar ordinances. A settlement between AT&T and Springfield (or other municipality) requiring AT&T to pay taxes on such omitted items would also have the same effect. For example, if Springfield wins on carrier access, then AT&T would be obliged to include carrier access in the tax base of those municipalities with substantially similar ordinances. Any such impact would be prospective only, affecting only taxes payable after the final decision. In addition, the Settlement Agreement requires any municipality desiring to take advantage of such a decision or settlement to adopt rules requiring other landline carriers to disclose the revenue streams on which they are paying Business License Taxes.

In addition, of course, the Missouri General Assembly could enact legislation affecting a municipality's right to collect Business License Taxes from telephone

companies, but the Settlement Agreement forbids AT&T from lobbying for such legislation for five years.

How could future taxes be affected by a municipality amending its ordinance?

A municipality is not prohibited from amending its ordinance to tax additional telephone services consistent with the Hancock Amendment requirements. But AT&T retains all of its rights to challenge such an amended ordinance.

What services are subject to the Missouri sales tax on telecommunications service?

(As explained above under ***What about future taxes?***, AT&T Missouri will pay future taxes on the present tax base plus telecommunications service as defined in the sales tax law.)

“Telecommunications service” is defined in the Missouri Sales Tax law, Section 144.010(13). This subsection says:

(13) "Telecommunications service", for the purpose of this chapter, the transmission of information by wire, radio, optical cable, coaxial cable, electronic impulses, or other similar means. As used in this definition, "information" means knowledge or intelligence represented by any form of writing, signs, signals, pictures, sounds, or any other symbols. Telecommunications service does not include the following if such services are separately stated on the customer's bill or on records of the seller maintained in the ordinary course of business:

(a) Access to the Internet, access to interactive computer services or electronic publishing services, except the amount paid for the telecommunications service used to provide such access;

(b) Answering services and one-way paging services;

(c) Private mobile radio services that are not two-way commercial mobile radio services such as wireless telephone, personal communications services or enhanced specialized mobile radio services as defined pursuant to federal law; or

(d) Cable or satellite television or music services.

Section 144.030.1 excludes sales in interstate commerce and any other retail sales which the state is not allowed to tax by the constitution or other federal law. Consistent with the treatment of sales tax under the Missouri sales tax law, interstate calls and other exempt service which are bundled with taxable services (i.e., not separately shown on a customer's bill) are subject to Business License Taxes.

What if an ordinance excludes revenues from long-distance service?

Some ordinances (see Exhibit F to the Settlement Agreement) exclude long-distance services. AT&T will not pay a tax on long-distance services to these cities, unless the city whose ordinance excludes long-distance service enacts an ordinance clarifying that its present ordinance is intended to exclude interstate long-distance service only. If this clarifying ordinance is enacted during the claim period, AT&T will honor it as of November 1, 2009. If the clarifying ordinance is passed later, AT&T will honor it six months after a certified copy is delivered to AT&T Missouri and SBC Long Distance, LLC.

What if a municipality has different tax rates for gross receipts from residential and non-residential customers?

AT&T will continue to comply with the different tax rates for residential and non-residential customers.

How does a municipality qualify for payment?

The short answer is that the municipality must file its Claim Form on time.

Specifically, in order to qualify for payment, the municipality's authorized representative must timely submit the Claim Form providing:

- (1) the municipality's name and address;
- (2) the name, address and telephone number of the municipality's duly authorized representative, to whom all inquiries regarding the Claim Form and the Business License Tax may be directed;
- (3) copies of an ordinance enacted by the municipality accepting the Settlement Agreement and binding the municipality to all its terms and provisions or—if the municipality can bind itself to the Settlement

Agreement without enacting an ordinance and chooses to do so instead of enacting an ordinance—some other acknowledgment binding the municipality to the terms of the Settlement Agreement if the agreement is approved by the Court; and

- (4) the method by which the Back Tax Payment shall be made, including the name and address to which the Back Tax Payment shall be made if the city chooses that AT&T mail the payment.

The Claim Form must be postmarked by September 15, 2009. Send it to:

Ryan McCarty
Thompson Coburn LLP
One U.S. Bank Plaza
St. Louis, MO 63101

You do not need to include a copy of your Business License Tax ordinance *unless* you received a Claim Form with all zeros, see below.

Does a municipality need to provide AT&T with an opinion of counsel?

If the municipality chooses to acknowledge that it is bound by the Settlement Agreement *without* enacting an ordinance, then it will also need to provide an opinion of counsel, addressed to AT&T, that the municipality is bound by the Settlement Agreement. If a municipality accepts the Settlement Agreement and agrees to be bound to the Settlement Agreement by enacting an ordinance, then no opinion of counsel is required.

What is the deadline for filing a Claim Form?

The Claim Form must be postmarked on or before September 15, 2009. Send it to

Ryan McCarty
Thompson Coburn LLP
One U.S. Bank Plaza
St. Louis, MO 63101

What if a municipality is late filing its Claim Form?

Any claim that is postmarked after September 15, 2009, will be rejected and the municipality will not be entitled to any payment for back taxes.

What if a municipality doesn't file a Claim Form?

IF A MEMBER OF THE CLASS DOES NOT FILE A CLAIM FORM, IT WILL NOT BE ENTITLED TO RECEIVE ANY PAYMENT FOR BACK TAXES THAT ARE THE SUBJECT OF THIS LAWSUIT.

Under the terms of the settlement, if a municipality does not file a Claim Form, it will not receive any payment for back taxes. Assuming the Court approves the settlement, and if a municipality does not file a claim or submit a request for exclusion, the municipality nevertheless will be prohibited from bringing or joining any lawsuit against AT&T based on or related to any of the claims asserted by the plaintiffs.

However, even if a municipality doesn't file a Claim Form, it will still be entitled to the future tax benefits.

Is a model ordinance to accept the Settlement Agreement available?

Yes. A model ordinance is posted on the Missouri Municipal League website.

When will a municipality get its back tax payment?

Each municipality will receive its payment within ten days after the Court has entered its final order of dismissal in this case and that order of the Court has become final. If the Court enters its dismissal order on November 2, 2009, when the final fairness hearing is scheduled, and there are no appeals from that order, AT&T should mail payments before December 24, 2009.

What about taxes after November 1, 2009 but before the case is final?

Interim tax payments will be made to class members. AT&T is authorized to identify the incremental portion of such payments as made under protest, and if AT&T does so, the amount designated must be treated like protest payments—*i.e.*, the municipality must place these incremental payments in a separate interest-bearing account in accordance with section 139.031 RSMo. and hold them until the municipality receives its final payment.

Why did AT&T bother to send my municipality a Claim Form that shows all zeroes for the tax amounts?

Claim Forms were sent to all Missouri municipalities, whether or not AT&T or Class Counsel had reason to believe that any Business License Tax was imposed or due. Forms were sent out showing all zeroes to permit the municipality to notify AT&T and Class Counsel that the municipality imposes a Business License Tax and, if such a tax is imposed, that AT&T Missouri or SBC Long Distance, LLC, does business in that municipality.

If you received a Claim Form that shows all zeros and you believe your municipality is entitled to a back tax payment because it has a Business License Tax *and* AT&T Missouri or SBC Long Distance does business in the municipality, you should return your Claim Form with an explanation of why your municipality should receive a back tax payment. You must include a certified copy of your Business License Tax ordinance or code provisions.

What if a municipality disagrees with the amount of back taxes?

Even if a municipality disagrees with the amount of back taxes, it must file its Claim Form by the due date if it intends to seek recovery of back taxes under the settlement.

A municipality that disagrees with the Back Tax Payment amount may submit with its Claim Form a detailed explanation as to why it believes the Back Tax Payment was incorrectly calculated. If AT&T disagrees with the municipality's contention, AT&T is obligated to meet and confer in good faith with Class Counsel and representatives of the municipality in an effort to resolve the issue. If after such consultation, the municipality and AT&T cannot agree on the Back Tax Payment, the Back Tax Payment contained in the Notice shall be the amount the municipality is entitled to receive pursuant to the Settlement. If the municipality still does not agree with the amount of the Back Tax Payment, it may either opt-out of the Settlement, or nonetheless accept the amount of the Back Tax Payment as calculated by AT&T. The opt-out deadline shall be extended for such municipality to resolve disputes related solely to the amount of the Back Tax Payment. Such a municipality may opt out within 30 days after conclusion of the meet and confer process. (The general opt-out deadline is August 31, 2009.) If the parties are unable to resolve a disagreement as to the amount of the Back Tax Payment after the consultation, such disagreement shall not be subject to other challenge or appeal.

What if a municipality believes it is entitled to back taxes even though the Notice and Exhibit E do not show any taxes due?

File the Claim Form on time with an explanation. Include a certified copy of your Business License Tax ordinance or code provisions.

The Notice and Exhibit E will say that no back taxes are due if either (1) AT&T doesn't have revenue or facilities in the municipality or (2) AT&T is not aware of any Business License Tax being imposed by the municipality. If the municipality has a Business License Tax and believes that AT&T Missouri or SBC Long Distance LLC does business in the municipality, then the municipality should file a Claim Form with whatever supporting information serves to show that the municipality is entitled to back taxes and to future taxes. The Claim Form should include the statement that the municipality believes the amount of back taxes was incorrectly calculated.

Upon receipt of the Claim Form, AT&T has thirty days to approve it or reject it. If the Claim Form is rejected because AT&T does not believe it has revenues or facilities subject to tax in the municipality even though the municipality has a valid Business License Tax, then the matter is a dispute over the amount of the back tax payment, and the procedure set forth in the preceding question applies.

If the Claim Form is rejected because AT&T is not aware of a Business License Tax or for any other reason (except that the municipality disagrees with the amount of the Back Tax Payment computed by AT&T), then the municipality has thirty days from the date of mailing of AT&T's rejection notice to either (1) resubmit the Claim Form with any missing information or (2) notify AT&T that the municipality challenges the rejection. If the municipality challenges the rejection, AT&T and Class Counsel shall meet and confer with the municipality's representatives to try and resolve the challenge by consent. If resolution proves impossible, AT&T must so notify the municipality, which may then have its attorney present its challenge to the Court to decide.

What if AT&T rejects a municipality's Claim Form?

Upon receipt of the Claim Form, AT&T has thirty days to approve it or reject it. If the Claim Form is rejected, then the municipality has thirty days from the date of mailing of AT&T' rejection notice to either (1) resubmit the Claim Form with any missing information or (2) notify AT&T that the municipality challenges the

rejection. If the municipality challenges the rejection, AT&T and Class Counsel will meet and confer with the municipality's representatives to try and resolve the challenge by consent. If resolution proves impossible, AT&T must so notify the municipality, which may then have its attorney present its challenge to the Court to decide.

What if a municipality disagrees with the overall settlement?

A municipality can object to the settlement. The municipality must state its objection in writing and file it with the Court postmarked no later than August 31, 2009. Any such objection must include a statement of the basis for the objection and a declaration stating that the municipality is a member of the class. If the municipality does not properly file and serve an objection by August 31, 2009, any objections it has to the settlement will be waived. The objection should be addressed to

The Honorable Edward Sweeney
Division 31 of the Circuit Court of the City of St. Louis
1114 Market Street
St. Louis, Missouri 63101

and marked to indicate "objections to proposed settlement in State of Missouri v. SBC, Case No. 044-02645."

The municipality must simultaneously mail its objection to Class Counsel:

John W. Hoffman
Douglas R. Sprong
Korein Tillery, LLC
505 N. 7th Street, Suite 3600
St. Louis, MO 63101

John F. Mulligan, Jr.
1600 South Hanley, Suite 101
Richmond Heights, MO 63144

Howard Paperner
9322 Manchester Rd.
St. Louis, MO 63119

and to AT&T's attorneys:

Timothy P. Leahy
Associate General Counsel
One AT&T Center, Room 3520
St. Louis, MO 63101

Stephen B. Higgins
Amanda J. Hettinger
Sharon B. Rosenberg
Ann Ahrens Beck
Thompson Coburn, L.L.P.
One U.S. Bank Plaza
St. Louis, MO 63101

When will the settlement be finally approved?

The Court will conduct a Final Fairness Hearing to determine whether to approve the proposed settlement, and to determine the amount of fees and expenses to be awarded to the attorneys for the plaintiffs and the class, on November 2, 2009 at 9:30 a.m. Although the hearing will be open to the public, Class Members will not be entitled to be heard unless they have filed a timely objection to the settlement or to the attorneys' fees and expenses. A Class Member that has filed an objection may appear by its own counsel and be heard at the hearing.

Are municipalities responsible for attorneys' fees for Class Counsel?

The Court will determine the amount of any fees and expenses awarded to plaintiffs' counsel.

The attorneys for the plaintiffs and the class will submit to the Court for approval a request for attorneys' fees and expenses in the amount of \$16,250,000, to be paid by defendants. AT&T has agreed to not oppose an award of fees and expenses in the amount stated above.

Can a municipality opt out of the settlement?

A municipality can exclude itself from the class, which means it will not participate in any aspect of the settlement and the municipality may pursue its own claims, if any, at its own expense against the defendants. To do so, the

municipality must state its request to be excluded in writing and deliver or postmark the request no later than August 31, 2009 to:

Ryan McCarty
Thompson Coburn LLP
One U.S. Bank Plaza
St. Louis, MO 63101

The municipality must simultaneously mail its exclusion request to Class Counsel:

John W. Hoffman
Douglas R. Sprong
Korein Tillery, LLC
505 N. 7th Street, Suite 3600
St. Louis, MO 63101

John F. Mulligan, Jr.
1600 South Hanley, Suite 101
Richmond Heights, MO 63144

Howard Paperner
9322 Manchester Road
St. Louis, MO 63119

and to AT&T's attorneys:

Timothy P. Leahy
Associate General Counsel
One AT&T Center, Room 3520
St. Louis, MO 63101

Stephen B. Higgins
Amanda J. Hettinger
Sharon B. Rosenberg
Ann Ahrens Beck
Thompson Coburn, L.L.P
One U.S. Bank Plaza
St. Louis, MO 63101

The opt-out deadline for a municipality that disputes the amount of the Back Tax Payment is extended until 30 days after completion of the dispute process.

Can a municipality assign part of its recovery to the Missouri Municipal League or the St. Louis County Municipal League?

The settlement allows each municipality to assign a portion of its Back Tax Payment, not to exceed five percent (5%), to the Missouri Municipal League or the St. Louis County Municipal League (for municipalities located within St. Louis County). A municipality that wishes to make such assignment may check the applicable box on the Claim Form. Additionally, the municipality's ordinance or other action making the settlement enforceable against the municipality must specifically authorize the making of this assignment. The amount of the back tax payment that the municipality receives will be reduced by the amount of this assignment.

What about settlements or enforcement involving other landline companies?

Only AT&T is involved in this settlement. If a municipality settles a claim against another landline provider, then careful attention should be paid to the "most favored nation" clauses in the Settlement Agreement, which in certain circumstances will cause a settlement with another provider to affect a municipality's settlement with AT&T.

In addition, municipalities whose Back Tax Payment is more than \$2500 are obligated to take reasonable efforts to require other similarly situated landline telephone companies to pay taxes on the same terms as AT&T. For purposes of the settlement, a company is not "similarly situated" while it is in bankruptcy or if it has receipts that are less than 10% of the municipality's Business License Tax base. These provisions are complex, and consultation with legal counsel is recommended.

There are additional requirements if a municipality wishes to take advantage of a favorable ruling or settlement in the Springfield case or other litigation, see ***How could the Springfield case or other litigation affect future taxes?*** above.

On Exhibit E to the Settlement Agreement, some municipalities are listed by name. Why are some municipalities not named?

A municipality is named on Exhibit E if

1. AT&T Missouri or SBC Long Distance, LLC derived gross receipts from providing landline or long distance services in that municipality

AND

2. available information indicated that the municipality has a Business License Tax.

What is the source of the rate for taxes on gross receipts?

Most of the rates shown on Exhibit E to the Settlement Agreement were obtained from copies of ordinances and municipal code sections known to AT&T or provided to AT&T by Class Counsel and others.

How can I get additional information?

Copies of the settlement agreement, other documents, court orders, and other information related to the lawsuit are posted on the Missouri Municipal League website, <http://www.mocities.com>.

You may also examine the Settlement Agreement, the Court orders and the other papers filed in the lawsuit at the Office of the Clerk of the Circuit Court of the City of St. Louis, Missouri at 10 North Tucker Blvd., St. Louis, Missouri 63101, during regular business hours. If you wish, you may seek the advice and guidance of your own attorney, at your own expense.

If you wish to communicate with or obtain information from attorneys for the class, you may do so by letter at the addresses listed below. You should direct any such inquiries concerning a claim or other matters described in this FAQ to Class Counsel:

John W. Hoffman
Douglas R. Sprong
Korein Tillery, LLC
505 N. 7th Street, Suite 3600
St. Louis, MO 63101

John F. Mulligan, Jr.
1600 South Hanley, Suite 101

Richmond Heights, MO 63144

Howard Paperner
9322 Manchester Rd.
St. Louis, MO 63119

Please do not contact the Court, Counsel for AT&T, or any AT&T representative for information.

Abbreviations used in this FAQ.

“EUCL” is End User Common Line surcharges.

“FUSF” is the federal universal service fee surcharge.

“SUSF” is the Missouri state universal service fee surcharge.

“LATA” (used in intraLATA and interLATA) is the local access and transport area. When the original AT&T was broken up in the early 1980s, the regional bell operating companies such as Southwestern Bell were allowed to provide exchange and toll service within LATAs but were generally prohibited from providing interLATA services. LATAs do not follow area code boundaries or state lines.

“CPE” is customer premises equipment.