

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

MARIAN R. WAGENER,	:
DONALD F. CHAMPOUX,	:
On behalf of themselves and on behalf of all others similarly situated,	:
Plaintiffs,	:
	: 1:03-CV-00769 (RCL)
	: CLASS ACTION
v.	:
SBC PENSION BENEFIT PLAN – NONBARGAINED PROGRAM,	:
Defendant.	:
	:

**JOINT MOTION FOR PRELIMINARY APPROVAL
OF CLASS ACTION SETTLEMENT, AND MEMORANDUM
OF POINTS AND AUTHORITIES IN SUPPORT**

Introduction

The parties to this ERISA pension benefit class action – Plaintiffs Marian Wagener and Donald Champoux (“Plaintiffs” or “Named Plaintiffs”), on behalf of themselves and all other members of the Class certified by the Court on September 21, 2005, and Defendant SBC Pension Benefit Plan – Non Bargained Program (“Defendant” or “Plan”) – hereby jointly move the Court, pursuant to Rule 23(e), Fed. R. Civ. P., to preliminarily approve the settlement of this action as embodied in the parties’ settlement agreement dated July 24, 2008 (“Settlement Agreement,” “Settlement” or “Agreement”), attached hereto as Exhibit 1. A proposed Order is attached hereto as Exhibit 2.

As discussed below, after years of hard-fought litigation and after many months of arms'-length negotiations, the parties have reached an agreement under which the Plan will pay a total of \$16 million to settle the Class's claim that the Plan miscalculated the pension benefits owed to some 3,800 non-bargained (management) retirees of certain AT&T companies who retired under a 2000 early retirement window known as the Enhanced Pension and Retirement Program ("EPR").

The parties submit this proposed settlement is well within the range of reasonableness and that the proposed mailed and publication notices (attached as Exs. B-E, respectively, to the Settlement Agreement, Ex. 1), in terms of both their content and their manner of dissemination, satisfy the requirements of Fed. R. Civ. P. 23(c)(2) and 23(e). They therefore ask that the Court preliminarily approve the Settlement and approve notice to the Class in the form attached hereto and explained below.

Factual Background

Below, the parties review the history of the litigation, outline the terms of the proposed settlement and provisions for notice to the Class, and then turn to a discussion of the applicable standards for preliminary approval and approval of notice to the Class in the form attached hereto.

Case History

This litigation commenced in March 2003 when Ms. Wagener and Mr. Champoux filed suit, on behalf of themselves and a proposed class substantially similar to the one the Court eventually certified, alleging that the Plan (since renamed the AT&T Pension Plan), incorrectly omitted pay earned for work performed during an averaging period used as one component in the calculation of retirees' pensions for retirees entitled to one of several pension options. The issue arose in connection with a fall 2000 early retirement window Plan known as the Enhanced

Pension and Retirement Program (“EPR Program”) under which Plaintiffs and the proposed Class, entitled to the “Grandfathered Benefit” under the Plan, received an enhanced pension benefit, known as the “Enhanced Grandfathered Benefit” (“EGB”), in exchange for taking early retirement at that time. The Complaint alleged that the Plan improperly excluded pay for certain work performed from the computation of Average Annual Compensation, a component of the EGB calculation, during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion. Comp. (Doc. 1).

The Plan moved to dismiss for failure to state a claim, arguing that the omission of the pay in question was authorized and consistent with the terms of the Plan and that because of the discretion granted to the Plan’s Benefit Plan Committee (“BPC”) to determine benefits and construe the Plan’s terms, the BPC’s interpretation of the Plan was entitled to a deferential standard of review by the Court and could be set aside only in the event that the decision was an abuse of discretion. Def. Mtn. to Dismiss (Doc. 11).

On March 29, 2004, the Court granted the Plan’s motion based on the Court’s determination that the interpretation the Plan advanced as that of the BPC was “reasonable.” Mar. 29, 2004 Mem. Order (Doc. 26).

Plaintiffs appealed the dismissal of the Complaint. The Court of Appeals reversed the Court’s Order and remanded for further proceedings. *Wagener v. SBC Pension Benefit Plan—Non-Bargained Program*, 407 F.3d 395 (D.C. Cir. 2005).

On August 11, 2005, the Plan answered, denying all wrongdoing and asserting, among other things, that (i) Plaintiffs failed to state a claim under ERISA; (ii) Plaintiffs had no viable claim for additional benefits because the BPC’s interpretation of the Plan was consistent with its express terms which had been consistently applied to all similarly situated Plan participants and

beneficiaries; and (iii) Plaintiffs' claims were barred by the applicable statute of limitations. *See* Answer (Doc. 33).

On September 21, 2005, the Court certified a mandatory class under Fed. R. Civ. P. 23(b)(1)(A), 23(b)(1)(B), and 23(b)(2). The Class consists of:

All persons or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the EGB under the EPR Program of the Plan was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

See Sept. 21, 2005 Order Certifying Class, Certifying Action as Class Action and Appointing Class Counsel (Doc. 35).

The Parties engaged in substantial discovery with respect to Plaintiffs' claims, including depositions, interrogatories, requests for admissions, and the exchange of thousands of documents.

On March 26, 2007, Plaintiffs filed a First Amended Complaint alleging, *inter alia*, that the determination to deny Plaintiffs' claims was in fact made by SBC rather than the BPC, that the denial was motivated by SBC's financial interest, and that the actual rationale employed by the BPC in denying Plaintiffs' appeals differed from the rationale advanced as reasonable by Defendant in the instant litigation. *See* First Am. Comp. (Doc. 77).

On May 11, 2007, Defendant filed its Answer to the Amended Complaint denying these allegations. Answer to First Am. Comp. (Doc. 86). Thereafter, Plaintiffs conducted additional discovery on their allegations. While discovery was ongoing, the Parties reached agreement on the terms of Settlement.

Defendant has denied, and continues to deny, any liability to the Named Plaintiffs or to any Class member and nothing in this Motion or the attached Settlement Agreement should be construed as an admission of liability.

The Settlement

The Settlement provides for a total payment of \$16 million (“Total Settlement Amount”) by the Plan or by the AT&T Non-Qualified Plan (the latter making payment in the relatively few instances where the additional payments that cannot be paid on a tax-qualified basis). *See Agreement (Ex. 1) Section 2.*

The Net Settlement Benefit available for payment to Plan Participants (or Class Members claiming by, through, or under a Plan Participant) is the Total Settlement Amount (\$16 million) less (1) whatever amount the Court approves as attorney’s fees (class counsel has agreed not to seek an award of fees (inclusive of costs and expenses) in excess of 30% of the Total Settlement Amount (*i.e.*, \$4.8 million)); (2) whatever amount of Named Plaintiffs’ Compensation the Court approves (Ms. Wagener and Mr. Champoux have agreed not to seek compensation for their services to the Class in excess of \$3,000 each); and (3) the total notice costs, which will not exceed \$75,000. *Id.*, Sections 1, 2, 4.A.

The amount of each Plan Participant’s Settlement Benefit (or the Settlement Benefit of a Class Member claiming by, through, or under a Plan Participant) will be calculated by multiplying the Net Settlement Benefit by the ratio that a Plan Participant’s estimated EPR Lump Sum Benefit, calculated by the Plan in September 2001, bears to the sum of the EPR Lump Sum Benefits estimated by the Plan in September 2001 to be paid to all Plan Participants. *Id.*, Section 9. In other words, the recovery will not be distributed per capita, but proportionally to the Plan’s calculation of what Class Members are estimated to have actually received. This is an administratively feasible way to distribute the recovery without re-computing every Class Members’ benefit from scratch, a costly process that could substantially diminish the ultimate recovery.

Class counsel estimate that \$16 million represents approximately 107% of the total value of participants' principal loss under Plaintiffs' theory of the case.

Under the Settlement, the average gross recovery attributable to each of the 3801 Participant Class members is approximately \$4,200.00. After deducting the maximum possible award of attorney's fees, named plaintiff compensation and notice costs, the average recovery per Participant Class Member will still exceed \$2,900.00.

Each Class Member's Settlement Benefit shall be paid, to the greatest extent possible, from the Plan as a Qualified Settlement Benefit. *Id.*, Section 9.B. If all or a portion of a Class Member's Settlement Benefit cannot be paid from the Plan as a Qualified Settlement Benefit, the AT&T Non-Qualified Plan shall pay the amount as a Non-Qualified Settlement Benefit. *Id.*¹

Class Members originally receiving their benefit in the form of a qualified lump sum will receive their individual Settlement Benefit also in the form of a qualified lump sum. *Id.*, Section 9.C.1.i. They will have the option of electing to roll the payment over or receive a direct distribution, net of the Plan's withholding for federal income taxes. *Id.*, Section 9.D.1. If they do not make a timely election between a rollover and a direct distribution, they will receive a direct distribution, net of the Plan's withholding for federal income taxes. *Id.*, Section 9.D.1.iii.

Class Members originally receiving their benefit in the form of a qualified annuity (about two dozen participants) will have the option of receiving a qualified lump sum (via either the rollover option or direct distribution) or an enhanced annuity. *Id.*, Section 9.C.1.ii.

About 10% of Class Members (390 participants) cannot receive a qualified distribution because they will have already exceeded the Code's Section 415 limits. *Id.*, Section 9.C.2.

¹ The Plan is a tax-qualified entity under the Internal Revenue Code and is, therefore, limited in the amount and type of benefits that it can distribute as tax-qualified benefits. See 26 U.S.C. ("IRC" or "Code") § 415.

They will receive their Settlement Benefit in a direct distribution. *Id.*

A very small number of Class Members will receive their Settlement Benefit in both qualified and non-qualified portions. *Id.*, Section 9.C.2.ii.

The Settlement is contingent on the accuracy of the Plan's disclosure to class counsel of the membership of the Participant Class Members and on the Plan Participant List being substantially correct. If more than an additional five Participant Class members are identified prior to final approval, the Settlement will be void and will either be renegotiated or the litigation will proceed. *Id.*, Section 9F. This provision assures that the premises on which the Settlement was negotiated are correct, and that the disclosures of estimated individual recovery amounts provided to the Class Members are substantially correct.²

Proposed Notice and Releases

In order to adequately inform Class members of their rights under the terms of the Settlement, the Plaintiffs and Defendants have agreed on four separate types of mailed notice, attached hereto as Exhibits B-D to the Settlement Agreement. Each notice explains the case history, the Settlement reached, the procedure for obtaining final approval and procedures for objecting to or commenting on the Settlement and/or the Class Counsel's and Named Plaintiffs'

² The Parties negotiated the Agreement on the premise that the Plan had identified to Plaintiffs all of the Participant Class Members. Based on this identification of Participants, disclosure of the amount of each Participant's benefits as originally estimated by the Plan (including amounts ultimately paid to beneficiaries or alternate payees), and other documents analyzing the effect of changing the Plan's calculation methodology to reflect Plaintiffs' view of Average Annual Compensation, Plaintiffs were able to estimate the amount of additional benefits that would have been paid to the Class had the Plan adopted Plaintiffs' calculation methodology. Plaintiffs were able to estimate that had the benefits of these Participants and the Class Members whose rights derived from them been calculated as Plaintiffs contend, that the Class would have received approximately an additional \$14.9 million. In other words, as noted above, the Total Settlement Amount equals approximately 107% of the principal loss. Based on these disclosures, and an evaluation of the risks of the litigation, Plaintiffs were able to conclude that the proposed settlement was fair, reasonable and adequate. Should the Plan's disclosure of Participant Class Members turn out to be substantially incomplete, however, then recovery amount per Class Member would be reduced in a fashion not contemplated by the parties in arriving at a settlement number.

requested awards once they are submitted. Each notice is personal to the recipient and contains a specific estimate of the individual Class Member's Settlement Benefit and the applicable election forms.³ The Plan will bear the costs associated with generating these personalized notices.

In return for the payment described above, Plaintiffs and the Class will seek entry of a Final Order and Judgment in accordance with the terms of this Agreement dismissing with prejudice all claims in the Lawsuit and releasing the Plan, AT&T, and the AT&T Non-Qualified Plan. *See* Agreement, Section 8. Further, the named plaintiffs in *Calder, et al., v. SBC Pension Ben. Plan, et al.*, No. SA-07-CA-340-XR (W.D.Tex.), a case also prosecuted by Class Counsel which seeks the same relief for class members under an alternate theory of recovery, will dismiss it with prejudice. *Id.*, Section 10.⁴

In addition, after final approval, each member of the Settlement Class and each of the Class Members will be deemed to have released the Plan from any and all claims that were asserted or might have been asserted in this lawsuit regarding the Plan arising out of any allegations, facts, occurrences and legal theories asserted or related to the subject matter set forth, alleged or related to this case under federal or state law, including all such claims any member of the Class might have raised now or in the future. *Id.*, Section 8.

Attorneys' Fees and Expenses - Named Plaintiffs' Compensation

Class counsel will file a motion for an award of attorneys' fees not to exceed 30% of the Total Settlement Award (inclusive of costs and expenses) at least twenty eight (28) days prior to

^{3/} The estimates will assume that the Court awards Class Counsel the maximum fee they could seek, that notice costs charged to the settlement will equal the maximum \$75,000, and that the Court awards \$3,000.00 each as compensation to the two named plaintiffs.

^{4/} In *Calder*, the named plaintiffs allege that they did not receive the statutorily required notice of the plan amendment altering the calculation of Pension Compensation from basic rate of pay to actual base pay, the proper interpretation of which is at issue in this case. (Plaintiffs in this action asserted this claim in the original Complaint but did not appeal the dismissal of it and so could not have re-raised upon remand.) No class has been certified in *Calder*, and proceedings have been stayed pending the outcome of settlement negotiations in this case.

the final approval hearing, should the Court grant preliminary approval. *Id.*, Section 2; Ex. 2, Proposed Order ¶ 6. The Named Plaintiffs will petition the Court at the same time for an award no more than \$3,000.00 each for services rendered to the Class. *Id.*

Discussion

I. The Settlement Meets the Standard for Preliminary Approval

Rule 23(e)(1)(A) provides that “[a] class action shall not be dismissed or compromised without approval of the court . . .” Final approval of a class action settlement requires a finding that the settlement is “fair, reasonable and adequate.”. At this juncture, however, the court must only make “a preliminary determination on the fairness, reasonableness, and adequacy of the settlement terms and must direct the preparation of notice of the certification, proposed settlement, and date of the final fairness hearing.” *Manual for Complex Litigation*, § 21.632 (4th ed. 2006). *Accord Bynum v. Government of Dist. of Columbia*, 384 F.Supp.2d 342, 343 (D.D.C. 2005); *In re Vitamins Antitrust Litig.*, No 99-197 (TFH), MDL 1285, 2001 WL 856292, at *4-5 (D.D.C. July 25, 2001).

The parties submit that the Settlement is well within the range of possible approval and is sufficiently fair to warrant providing notice informing Class members of the proposed settlement, and to establish procedures for a final settlement hearing under Rule 23(e).

Clearly, the Settlement would provide Class members with substantial relief. The \$16 million Total Settlement Amount equals approximately 107% of the principal loss under Plaintiffs’ theory of the case. Under the Settlement, the average gross recovery attributable to each of the 3801 Participant Class members is approximately \$4,200.00. After deducting the maximum possible award of attorney’s fees, named plaintiff compensation and notice costs, the average recovery per Participant Class Member will still exceed \$2,900.00. By any standard, this is a substantial recovery.

This is especially true given that benefit claim cases based on an interpretation of an ambiguous provision of a plan document are notoriously difficult to win, where, as here, the plan document gives discretion to interpret the document to a designated fiduciary. *See, e.g., Block v. Pitney Bowes, Inc.*, 952 F.2d 1450, 1453-54 (D.C. Cir. 1992) (reviewing fiduciary decisions for abuse of discretion when fiduciary has discretion under plan documents); *see also Hamilton v. AIG Life Ins. Co.*, 182 F. Supp.2d 39, 46 (D.D.C. 2002) (upholding decision of designated plan fiduciary with discretionary authority). Plaintiffs faced a particularly daunting task in this case where the Court had already held that the Defendant's proffered interpretation of the disputed provisions was reasonable. *See Hamilton*, 182 F. Supp.2d at 46 (upholding fiduciary's decision to refuse benefits because fiduciary's interpretation of plan terms was reasonable); *Fitts v. Fed. Nat'l Mortgage Ass'n*, 44 F. Supp.2d 317, 328 (D.D.C. 1999) (upholding fiduciary decision where plaintiffs failed to make a showing that fiduciary's decision was unreasonable).

On appeal, the Court of Appeals reversed because the Complaint had alleged disparate treatment of the Class relative to other participants where the governing plan document required uniform treatment. *Wagener*, 407 F.3d at 403-04. As it happens, these allegations were not borne out by discovery. Instead, Plaintiffs' case depended on a showing that the Plan's procedure for determining the Plaintiffs' and other class members' claims was flawed, the product of inconsistent rationales, and controlled by SBC. All of these allegations were vigorously disputed by Defendant, who would have argued that even if its proffered interpretation was not entitled to deference, it was nevertheless the correct interpretation and should be adopted by the Court. In short, this is a case in which the risk of zero recovery was very high indeed.

Preliminary approval is also appropriate because the Settlement is the result of lengthy, well-informed, arms'-length negotiations. This litigation has lasted over five years. After the Court dismissed the case, Plaintiffs achieved a reversal and remand on appeal. Initially, Defendant was successful in limiting discovery. *See* Mar. 26, 2007 Mem. Op. (Doc. No. 80). Nevertheless, tens of thousands of pages of documents were produced, the analysis of which allowed Plaintiffs to file an exhaustive Amended Complaint expanding on the allegations of the original Complaint. The Amended Complaint alleged that the interpretation of the Plan documents advanced by the Defendant and that the Court had found reasonable was not, in fact the basis on which Plaintiffs' and various Class Members' claims had been denied.

Plaintiffs deposed several key SBC and Plan officials including the Chair of the Benefits Plan Committee that had rejected Plaintiffs' benefit claims, the Secretary of the Committee who was responsible for presenting case to the Committee and preparing denial letters, and the lawyer who advised the Committee. Plaintiffs succeeded in convincing the Court to expand the permissible scope of discovery to include SBC's interpretation of the Plan in a decision that recognized that the Plan might not be entitled to deference to its benefit denials if Plaintiffs could prove that SBC rather than the BPC was actually responsible for the denials of benefits. *See* Jan. 7, 2008 Mem. Opp. (Doc. 91). Only in the wake of that decision, in the midst of producing many tens of thousands more pages of documents, did the Defendant begin to discuss the possibility of settlement. Nevertheless, it took until May before a settlement amount was agreed to in principle while discovery continued, and approximately three more months to agree on all the terms of the Settlement Agreement. It should be apparent that the suit and the negotiations were hard-fought and well-informed and the Settlement the product of vigorous representation on behalf of Plaintiffs and the Class.

Finally, the opinion of experienced and non-collusive counsel should be given weight in determining whether to preliminarily approve a settlement. *See, e.g., McGuiness v. Parnes*, Civ. No. 87-2728-LFO, 1989 WL 29814, *1 (D.D.C. Mar. 22, 1989) (“While the evaluation of the fairness and adequacy of a settlement such as this is anything but a scientific process, there is nothing about this settlement suggesting that the Court should second-guess the product of the negotiations between the skilled and conscientious lawyers who represented parties on both sides of this litigation”). Class Counsel are experienced in ERISA and class action litigation. *See Pl. Mtn. for Class Cert.* (Doc. 2) at 13-16. Class counsel believe that the proposed settlement is an excellent result, reached after completion of thorough discovery and extensive negotiation. They also note that the Settlement Agreement has the full support of the appointed Class Representatives, Ms. Wagener and Mr. Champoux, who were fully apprised of the settlement negotiations at every critical step of the way. Defense counsel are also experienced in ERISA and class action litigation and likewise believe that the proposed settlement is fair, reasonable, adequate, and in the best interests of the Plan and all Plan Participants.

II. The Proposed Notice Satisfies Rule 23

Assuming the Court preliminarily determines that the Settlement is within the range of possible approval, it must then address the notice to be given to the class. Rule 23(e) requires that the district court “direct notice in a reasonable manner to all class members who would be bound by a proposed settlement.” Fed.R.Civ.P. 23(e)(1). Rule 23(e) notice is designed “to summarize the litigation and the settlement and to apprise class members of the right and opportunity to inspect the complete settlement documents, papers, and pleadings filed in the litigation.” *In re Prudential Ins. Co.*, 148 F.3d 283, 327 (3d Cir.1998). Notice to the putative class members is essential to providing each member with due process because members of the

settlement classes will be bound to the resolution of this case. *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 313-14 (1950).

Here, the proposed mailed and publication Notice, in terms of both their content and their manner of dissemination, satisfy the requirements of Rule 23(e) and due process.

1. The Content of the Proposed Notice Satisfies Rule 23

The content of the mailed and publication Notice provide all of the required information concerning Class Members' rights and obligations under the proposed Settlement. The Notice sets forth the background of the litigation, the definition of the Class and the key terms of the Settlement. It contains sufficient detail to permit each member of the proposed Settlement to make an informed decision about whether to support or oppose Settlement as well as how to obtain additional information about the Settlement, whether through the website dedicated to the lawsuit or by contacting Class counsel directly. It details the procedures for filing objections to the Settlement, Class Counsel's fee petition and/or the request for an award of special payments to the two Named Plaintiffs and for requesting to be heard at the final approval hearing. It explains how to make elective choices via easy-to-understand enclosed forms and instructions. The mailed Notice arguably goes beyond the requirements of the Rule by providing a specific estimate of each Class Member's Settlement Benefit.

2. The Method of Disseminating Notice to Class Members Satisfies Rule 23

The method of transmitting the Notice also satisfies Rule 23. Upon preliminary approval of the Settlement, the Plan will transmit the last known address of all Class Members to Class Counsel and the Claims Administrator which will confirm or update the valid postal addresses for the Class members and cause the Notices to be mailed by first class mail to each identified member of the Class. In the event that the Postal Service returns any of the Notices as undeliverable, the Claims Administrator will take further steps to obtain correct addresses and re-

mail the Notice to those recipients. Dissemination of the mailed Notice by first class mail is the usual notification method for class action certifications and settlements. *See In re Prudential Ins.*, 148 F.3d at 326-28 (opt-out class requiring claims); *In re IKON Office Solutions, Inc.*, 209 F.R.D. 94, 101 (E.D. Pa. 2002) (non-opt out class, published notice program also used); 2 Newberg on Class Actions, § 8.24 at 8-75 to 8-76.

Under the circumstances, the parties believe that it is sufficient to make only one publication of the Published Notice (Ex. E) in a National Newspaper, in addition to requests to various AT&T retiree organizations to publish notice in their newsletters where available. Plaintiffs' Counsel believe that the Plan's last known address information coupled with the Settlement Administrator's address update efforts will assure the best practicable communication with the Settlement Class members. Where, as here, Class counsel are reasonably certain that the address information available from the Defendant is comprehensive and will be updated as necessary by the Claims Administrator, and where the parties have already agreed to provide individualized notice via first class mail, which is the preferred method for disseminating class notice, the extra expense of multiple publications of published notice is not warranted.

III. Proposed Schedule for the Class's and the Court's Consideration of the Settlement

The procedural steps contemplated by the proposed Order, and the specific calendar schedule proposed by Class Counsel, are as follows:

Event	Days following Preliminary Approval or Preceding Final Approval Hearing	Proposed Dates assuming Preliminary Approval By 8/11/08 and Final Hearing 11/17/08
Mailed Notice to Class Members	To be completed no later than within 30 days of Preliminary Approval Order	September 10, 2008
Publication Notice Published	To be published no later than within 30 days of Preliminary Approval Order	September 10, 2008
Motion for Final Approval, Petition for Class Counsel Fees and Named Plaintiffs' Compensation	No later than 28 days prior to Final Approval Hearing	October 20, 2008
Class Member Objections (to be post-marked by)	No later than 14 days prior to Final Approval Hearing	November 3, 2008
Administrator files proof of mailing and publication	No later than 7 days prior to Final Approval Hearing	November 10, 2008

Conclusion

WHEREFORE, for the reasons stated and such other reasons as may appear to the Court, the parties respectfully request that the Court grant preliminary approval of the Settlement and enter the proposed Order attached hereto, authorize mailed and published notice to the Class, and schedule the hearing on final approval of the Settlement.

Respectfully submitted,

/s/

Whitney R. Case (Admitted Pro Hac Vice)
Cohen, Milstein, Hausfeld & Toll, PLLC
1100 New York Ave., NW
Suite 500, West Tower
Washington, D.C. 20036
Telephone: (202) 408-4600
Facsimile: (202) 408-4699

Marc I. Machiz (D.C. Bar No.49408)
Cohen, Milstein, Hausfeld & Toll, PLLC
1 South Broad Street
Suite 1850
Philadelphia, PA 19107
Telephone: (215) 825-4016
Facsimile: (215) 825-4001

Eli Gottesdiener (D.C. Bar No. 420764)
Gottesdiener Law Firm, PLLC
1025 Connecticut Avenue, N.W.
Suite 1000
Washington, D.C. 20036
Telephone: (202) 243-1000
Facsimile: (202) 243-1001

Attorneys for Plaintiffs Marian R. Wagener
and Donald F. Champoux and the Class

/s/

Charles D. Tetrault (D.C. Bar No. 926527)
Vinson & Elkins L.L.P.
1455 Pennsylvania Ave, NW,
Suite 600
Washington, D.C. 20004-1008
Telephone: (202) 639-6551
Facsimile: (202) 639-6604

John L. Carter (Admitted Pro Hac Vice)
Bruce A. Blefeld (Admitted Pro Hac Vice)
Vinson & Elkins L.L.P.
2300 First City Tower
1001 Fannin St.
Houston, Texas 77002-6760
Telephone: (713) 758-2124
Facsimile: (713) 758-2346

Attorneys for Defendant SBC Pension
Benefit Plan—Non Bargained Program

FINAL CLASS SETTLEMENT AGREEMENT

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

MARIAN R. WAGENER and
DONALD F. CHAMPOUX, *et al.* §
Plaintiffs §
v. §
§ C.A. No. 1:03CV00769 (RCL)
SBC PENSION BENEFIT PLAN—NON
BARGAINED PROGRAM §
Defendant. §

CLASS SETTLEMENT AGREEMENT

Subject to approval by the United States District Court for the District of Columbia (“Court”), this Class Settlement Agreement (“Agreement”) is made and entered into by and among Plaintiffs Marian R. Wagener and Donald F. Champoux (“Plaintiffs” or “Named Plaintiffs”) individually and on behalf of the Class (as defined below) that they represent, and Defendant SBC Pension Benefit Plan—Non Bargained Program (“Defendant” or “Plan”).

RECITALS

1. On March 27, 2003, Named Plaintiffs filed suit against the Plan under the Employee Retirement Income Security Act (“ERISA”). The Named Plaintiffs, on behalf of a class of Plan participants who received an enhanced pension benefit from the Plan under the Enhanced Pension and Retirement Program (“EPR Program”), alleged that the Plan improperly calculated the benefits due under the EPR Program and wrongfully denied Named Plaintiffs’ claims for additional pension benefits. Named Plaintiffs contended that the Plan improperly computed Pension Compensation for purposes of calculating the Enhanced Grandfathered Benefit (“EGB”) under the EPR Program of the Plan. Plaintiffs alleged that the Plan improperly

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excluded pay for certain work performed from the computation of Average Annual Compensation, a component of the EGB calculation, during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

2. Prior to filing the Lawsuit, Plaintiffs pursued, under the Plan's terms, an administrative claim for additional benefits with the Plan's Benefit Plan Committee ("BPC"), the Plan entity responsible for determining benefits and interpreting the Plan. Plaintiffs complained that the Plan's determination that pay received by Plaintiffs after the end of the Averaging Period should be excluded from the computation of Average Annual Compensation for the EGB violated the Plan's terms. The BPC denied Plaintiffs' administrative claim for additional benefits. Defendant contends that the BPC denied Plaintiffs' claims on appeal after due consideration because (a) Plan amendments required the use of a participant's actual base pay rather than basic rate of pay in computing Average Annual Compensation; and (b) the BPC determined that, under the actual base pay amendments, only pay actually received during the Averaging Period was included in the calculation of a participant's Average Annual Compensation for the EGB. Defendant contends that the BPC thus concluded that the Plan had properly calculated Plaintiffs' EGB because the Plan's terms required that the pay Plaintiffs received after the end of the Averaging Period be excluded from the calculation of Average Annual Compensation for the EGB.

3. The Plan moved to dismiss Plaintiffs' Complaint for failure to state a claim. The Plan contended that, because of the discretion granted to the BPC under the Plan to determine benefits and construe the Plan's terms, the BPC's interpretation of the Plan is entitled to a deferential standard of review by the Court and can be set aside only in the event that the

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decision was an abuse of discretion. The Plan contended that because the BPC's interpretation of the Plan and the actual base pay amendments was reasonable, its denial of Plaintiffs' claims for additional benefits was not an abuse of discretion and should therefore not be overturned by the Court.

4. On March 29, 2004, the Court granted the Plan's motion to dismiss Named Plaintiffs' claims and dismissed Named Plaintiffs' Complaint. The Court determined that the interpretation of the Plan and the Plan amendments advanced by the Plan as having been adopted by the BPC was "reasonable."

5. Named Plaintiffs appealed the dismissal of their Complaint. In *Wagener v. SBC Pension Benefit Plan—Non-Bargained Program*, 407 F.3d 395 (D.C. Cir. 2005), the D.C. Circuit Court of Appeals reversed the district court's order dismissing the Lawsuit and remanded the case to the District Court. The Parties have disputed the appropriate scope of the remand. Defendant Plan contends that the remand was for the limited purpose of determining (1) whether the interpretation of 'actual base pay' rendered by the BPC "or other Plan fiduciaries with responsibility for construing and administering the Plan" was consistent with the Plan's "equal treatment clause" contained in the Plan amendment defining the EPR Program; and (2) whether the BPC operated under a conflict of interest at the time it made its decisions. Plaintiffs contend that the District Court may consider on remand any matter germane to whether the denial of benefits violated the terms of the Plan.

6. On August 11, 2005, the Plan filed its Answer to Plaintiffs' Class Action Complaint. The Plan denied all wrongdoing and asserted, among other things, that (i) Plaintiffs failed to state a claim under ERISA; (ii) Plaintiffs had no viable claim for additional benefits because the BPC's interpretation of the Plan was consistent with its express terms which have

FINAL CLASS SETTLEMENT AGREEMENT

been consistently applied to all similarly situated Plan participants and beneficiaries; and (iii) Plaintiffs' claims were barred by the applicable statute of limitations.

7. On September 21, 2005, the Court certified a mandatory class under Fed. R. Civ. P. 23(b)(1)(A), 23(b)(1)(B), and 23(b)(2), of all persons or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the EGB under the EPR Program of the Plan was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

8. The Parties engaged in substantial discovery with respect to Plaintiffs' claims, including depositions, interrogatories, requests for admissions, and the exchange of a substantial number of documents. Defendant disputes the Named Plaintiffs' claims in the Lawsuit. Defendant has denied, and continues to deny, any liability to the Named Plaintiffs or to any Class Member.

9. On March 26, 2007, Plaintiffs filed a First Amended Complaint alleging, *inter alia*, that the determination to deny Plaintiffs' claims was in fact made by SBC rather than the BPC, that the denial was motivated by SBC's financial interest, and that the actual rationale employed by the BPC in denying Plaintiffs' appeals differed from the rationale advanced as reasonable by Defendant in the instant litigation. On May 11, 2007, Defendant filed its Answer to the Amended Complaint denying these allegations. Thereafter, Plaintiffs conducted additional discovery on their allegations. While discovery was ongoing, the Parties reached agreement on the terms of Settlement.

10. The Parties believe in the merits of their respective positions. However, to avoid the expense, inconvenience, and distractions of burdensome, protracted litigation; to obtain the

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benefits, releases, orders, and judgments contemplated by this Agreement; and to resolve finally and fairly all claims, known and unknown, that have been or might be asserted by Plaintiffs or Class Members against the Plan, AT&T, or the AT&T Non-Qualified Plan relating to the EGB or the EPR Program, the Parties enter this Agreement. For these reasons, the Plan determined that settling this Lawsuit in accordance with the terms and conditions of this Agreement is in the best interests of all Plan participants. Likewise, Plaintiffs and their counsel extensively investigated and evaluated their claims and the Plan's available defenses and, considering the benefits promised by this Agreement and the costs and uncertainty of establishing a right to recovery, have concluded, after extensive negotiations over the terms of this Agreement, that this Agreement is fair, reasonable, and adequate and in the best interests of the Class Members.

11. In consideration of the foregoing and other good and valuable consideration, the Parties stipulate and agree that Plaintiffs' and Class Members' claims against Defendant related to or arising from its calculation of the EGB or the EPR Program should be and are compromised and settled, subject to the approval of the Court, which the Parties will request the Court to grant. Further, because the named plaintiffs in the *Calder* Lawsuit—who are Class Members in this Lawsuit and are represented in the *Calder* Lawsuit by Class Counsel in the instant litigation—seek, under a different theory of recovery, the same monetary recovery from the Plan in *Calder* as the Class in the Lawsuit seeks, the Parties stipulate and agree that, if this Agreement is finally approved, the named plaintiffs in the *Calder* Lawsuit will dismiss the *Calder* Lawsuit with prejudice. Class Counsel represent that the named plaintiffs in the *Calder* Lawsuit have agreed to a dismissal under these circumstances.

FINAL CLASS SETTLEMENT AGREEMENT

12. In consideration of the mutual promises, covenants, releases, and warranties contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which the Parties now acknowledge, the Parties agree as follows:

TERMS OF SETTLEMENT

1. DEFINITIONS

For purposes of this Agreement, the Parties agree that the following terms shall have the following corresponding definitions:

“Agreement” means this Class Settlement Agreement.

“AT&T” or “SBC” means collectively AT&T Inc. (f/k/a SBC Communications Inc.), including any and all “Participating Companies” of AT&T or SBC (as that term is used in the Plan), any and all predecessors, successors, subsidiaries, affiliates, business units, and subdivisions of AT&T or any Participating Company, and any and all AT&T Non-Qualified Benefit Plans, the Benefit Plan Committee of the Plan, past, present, or future directors, officers, employees, agents, representatives, attorneys, and fiduciaries of AT&T, any Participating Company, or any benefit plan sponsored or administered by AT&T or any Participating Company, and all other persons acting or purporting to act on AT&T or SBC’s behalf.

“AT&T Non-Qualified Plan” means the AT&T Pension Benefit Make-Up Plans I & II, which is obligated by the Agreement to pay all Non-Qualified Settlement Benefits.

“Calder Lawsuit” means the lawsuit styled *Charles V. Calder and Leslie J. Vaughn-Smith v. SBC Pension Benefit Plan and AT&T Inc.*, Civil Action No. SA-07-CA-340-XR, In the United States District Court for the Western District of Texas, San Antonio Division.

“Claims Administrator” means the person whom the Court shall appoint in the Preliminary Approval Order to be responsible for providing Notice to the Class Members.

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“Class” means, as defined by the Court’s Order of September 21, 2005, and as certified in that Order under Fed. R. Civ. P. 23(b)(1)(A), 23(b)(1)(B), and 23(b)(2), all persons, or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the Enhanced Grandfathered Benefit under the EPR Program of the SBC Pension Benefit Plan—Nonbargained Program was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

“Class Counsel” means the following attorneys, appointed by the Court as Class Counsel under Fed. R. Civ. P. 23(g) on September 21, 2005:

Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
255 S. 17th Street, Suite 1307
Philadelphia, PA 19103

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215

“Class Counsel’s Attorneys’ Fees” means Class Counsel’s attorneys’ fees, costs, and expenses that Class Counsel will submit for consideration and approval by the Court pursuant to Fed. R. Civ. P. 23(h). Class Counsel’s Attorneys’ Fees will be paid by Defendant and by the AT&T Non-Qualified Plan in proportion to the amount of the total Settlement Benefit paid under the Plan and the AT&T Non-Qualified Plan pursuant to this Agreement.

“Class Member(s)” means any or all persons claiming by, through, or under any Plan Participant whether or not included in the Plan Participant List dated July 28, 2008 that Defendant transmitted to Class Counsel on July 28, 2008 in connection with this Agreement, namely:

FINAL CLASS SETTLEMENT AGREEMENT

All persons, or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the Enhanced Grandfathered Benefit under the EPR Program of the SBC Pension Benefit Plan—Nonbargained Program was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

“Complaints” refers to all Complaints and Amended Complaints filed by the Plaintiffs at any time in the Lawsuit.

“Court” means the United States District Court for the District of Columbia.

“Defendant” means named Defendant SBC Pension Benefit Plan—Non Bargained Program.

“Defendant’s Counsel” means:

Charles D. Tetrault
Vinson & Elkins L.L.P.
1455 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004-1008

John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760

Hilary L. Preston
Vinson & Elkins L.L.P.
2801 Via Fortuna, Suite 100
Austin, TX 78746-7568

“Effective Date” shall mean the first date after which the last of all the following events and conditions has been met or has occurred:

(a) Named Plaintiffs, Class Counsel—on behalf of the Named Plaintiffs, the Class Members, and the plaintiffs in the *Calder Lawsuit*—Defendant, the AT&T Non-Qualified Plan, and Defendant’s Counsel have executed this Agreement;

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(b) The Court has, by entry of a Preliminary Approval Order, (i) authorized the Qualified Notice, the Non-Qualified Notice, the Qualified/Non-Qualified Notice, and the Publication Notice to be sent to the Class, (ii) preliminarily found that the Settlement set forth in the Agreement is fair, reasonable, and adequate, subject to any objections that may be raised at the Fairness Hearing, and (iii) approved the method of providing Notice to the Class as set forth herein;

(c) The Court has entered a Final Order and Judgment approving this Agreement;

(d) The deadline has passed for any Party to void the Agreement; and

(e) Five (5) business days have passed after the latest of the following has occurred:

1) The time to appeal from the Final Order and Judgment has expired and no notice of appeal has been filed;

2) In the event of an appeal, any appeal from the Final Order and Judgment has been finally dismissed;

3) In the event of an appeal, the Final Order and Judgment has been affirmed on appeal in a form substantially identical to the form of Final Order and Judgment entered by the Court;

4) The time to petition for review with respect to any appellate decision affirming the Final Order and Judgment has expired; and

5) If a petition for review of an appellate decision is filed, the petition has been denied or dismissed, or, if granted, has resulted in affirmance of the Final Order and

FINAL CLASS SETTLEMENT AGREEMENT

Judgment in a form substantially identical to the form of the Final Order and Judgment entered by the Court.

“EPR Lump Sum Benefit” means the EPR Lump Sum Benefit that the Plan estimated in September 2001 to be due to each Plan Participant as reflected in column B of the Plan Participant List dated July 28, 2008 that Defendant transmitted to Class Counsel on July 28, 2008 in connection with this Agreement. The “EPR Lump Sum Benefit” identified in column B of the Plan Participant List reflects the estimated present value of each Plan Participant’s EGB as of September 2001 payable in the form of a lump sum (regardless of whether it was paid or was actually payable in that form) and inclusive of the value of any amounts payable in the form of a lump sum under the AT&T Non-Qualified Plan (regardless of whether it was paid or was actually payable in that form) and inclusive of any benefit owing to the beneficiaries, estates, or alternate payees of such Plan Participants.

“EPR Program” means the Enhanced Pension Retirement Program, an early retirement program adopted by the Plan sponsor on September 29, 2000.

“Fairness Hearing” means the hearing at which the Court will consider whether to give final approval to this Agreement, approve an award of Class Counsel’s Attorneys’ Fees and Named Plaintiffs’ Compensation, enter the Final Order and Judgment, and make such other final rulings as are contemplated by this Agreement.

“Final Order and Judgment” means the final order and judgment by which the Court, at or after the Fairness Hearing, approves the Agreement, approves an award of Class Counsel’s Attorneys’ Fees and Named Plaintiffs’ Compensation, dismisses all of the claims of the Class with prejudice, enters a final judgment in accordance with the Agreement, and makes such other

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final rulings as are contemplated by this Agreement. The Final Order and Judgment shall be substantially in the form attached as Exhibit F.

“Known Class Member(s)” means any or all persons claiming by, through, or under any Plan Participant included in the Plan Participant List dated July 28, 2008 and provided by Defendant to Class Counsel on July 28, 2008 in connection with this Agreement.

“Lawsuit” means the above-captioned litigation filed in the United States District Court for the District of Columbia, Case No. 1:03CV00769 (RCL).

“Listed Plan Participant(s)” means any of the Plan Participants that are identified in the Plan Participant List dated July 28, 2008 and provided by Defendant to Class Counsel on July 28, 2008 in connection with this Agreement.

“Named Plaintiffs” (or “Plaintiffs”) means Marian R. Wagener and Donald F. Champoux.

“Named Plaintiffs’ Compensation” means an amount not to exceed \$3,000 for Named Plaintiff Marian R. Wagener and not to exceed \$3,000 for Named Plaintiff Donald F. Champoux, which awards, as allowed by the Court, shall be paid from the Total Settlement Amount in recognition of their contributions to the Class.

“Net Settlement Benefit” under this Agreement is the Total Settlement Amount (\$16,000,000) less (1) Class Counsel’s Attorneys’ Fees as approved by the Court; (2) the Named Plaintiffs’ Compensation as approved by the Court; and (3) the Total Notice Costs.

“Non-Qualified Notice” means the Court-approved notice mailed to all Class Members receiving a Non-Qualified Settlement Benefit informing each as to the amount of his Non-Qualified Settlement Benefit, if the amount of Class Counsel’s Attorneys’ Fees requested by

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Class Counsel and Named Plaintiffs' Compensation are approved by the Court, in the form attached as Exhibit C.

"Non-Qualified Settlement Benefit" means the amount of a Class Member's Settlement Benefit that cannot be paid from the Plan because of Internal Revenue Code limits, in particular, but not limited to, the limitations imposed by Code § 415.

"Notice" means collectively the Qualified Notice (Lump Sum), the Qualified Notice (Annuity), the Qualified Notice/Non-Qualified Notice, the Non-Qualified Notice, and the Publication Notice, the costs for each individually and all collectively are reasonable administrative costs of the Plan.

"Parties" collectively, or "Party" in the singular, means the Named Plaintiffs and Defendant, and as represented by the undersigned respective counsel of record.

"Plan" means the Defendant SBC Pension Benefit Plan—Non Bargained Program.

"Plan Participant(s)" means all the Plan participants who accrued pension benefits under the Plan and received the EGB under the EPR Program. Plan Participants are distinguished in this Agreement from Class Members who were not Plan Participants (or not Plan Participants for purposes of this Agreement unless they were independently also "persons" within the meaning of the Class definition) but are instead Class Members by virtue of being "the beneficiaries, estates, or alternate payees" claiming Settlement Benefits by, through, or under a Plan Participant.

"Plan Participant List" means the list dated July 28, 2008 and provided by Defendant to Class Counsel on July 28, 2008 in connection with this Agreement. Column B of the Plan Participant List shows for each Listed Plan Participant the Plan's estimate as of September 2001 of the present value of the entire EGB benefit owed to each such person including the present value of any benefit owing to the beneficiaries, estates, or alternate payees who claim a benefit

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by, through, or under a Plan Participant. Defendant represents that the Plan Participant List reflects its best efforts to identify each and every Plan Participant and the Plan's estimate as of September 2001 of the present value of the entire EGB benefit owed to each such person including the present value of any benefit owing to the beneficiaries, estates, or alternate payees who claim a benefit by, through, or under a Plan Participant.

"Plan's Withholding for Federal Income Tax" means the federal income tax that the Plan withholds and pays to the IRS from a distribution to a Class Member of his Settlement Benefit.

"Preliminary Approval Order" means an order substantially in the form attached as Exhibit A.

"Publication Notice" means the Court-approved notice by publication to Class Members in the form attached as Exhibit E.

"Qualified Notice" means the Court-approved notice mailed to all Known Class Members receiving a Qualified Settlement Benefit informing each as to the amount of his Qualified Settlement Benefit, if the amount of Class Counsel's Attorneys' Fees requested by Class Counsel and Named Plaintiffs' Compensation are approved by the Court, and providing each Class Member with the right to select one of two distribution/rollover options for his Settlement Benefit, in the form attached as Exhibit B. There are two forms of Qualified Notice: (1) the Qualified Notice (Lump Sum), for those Known Class Members who elected to receive the tax-qualified portion of their initial EGB benefit in the form of a lump sum and will receive their Qualified Settlement Benefit in the form of a lump sum, and (2) the Qualified Notice (Annuity), for those Known Class Members who elected to receive the qualified portion of their initial EGB benefit in the form of an annuity but who may elect to receive their Qualified Settlement Benefit in the form of a lump sum.

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“Qualified/Non-Qualified Notice” means the Court-approved notice mailed to all Known Class Members receiving both a Qualified and a Non-Qualified Settlement Benefit informing each as to the amount of his Qualified and Non-Qualified Settlement Benefits, if the amount of Class Counsel’s Attorneys’ Fees requested by Class Counsel and Named Plaintiffs’ Compensation are approved by the Court, in the form attached as Exhibit D.

“Qualified Settlement Benefit” means the amount of a Class Member’s Settlement Benefit that can be paid from the Plan without violating the Internal Revenue Code limits as determined by the Internal Revenue Service (“IRS”) and/or the Plan in consultation with the IRS and/or appropriate advisors, acting in good faith to maximize the amount of the Total Settlement Amount payable from the Plan without jeopardizing the Plan’s tax-qualified status.

“Released Claims” means the claims released by the Class Members pursuant to Section 8.

“Settlement” means the settlement embodied in this Agreement.

“Settlement Benefit” means the amount allocated to individual Class Members under this Agreement. Each Listed Plan Participant’s Settlement Benefit is calculated by multiplying the Net Settlement Benefit by the ratio that each Listed Plan Participant’s estimated EPR Lump Sum Benefit, as reflected in Column B of the Plan Participant List, bears to the sum of the EPR Lump Sum Benefits estimated by the Plan in September 2001 to be paid to all Listed Plan Participants which the Plan represents as totaling \$1,897,398,598.87.

“Substantial Distribution” occurs when a good faith distribution of the Total Settlement Amount is made to the Class Members and Class Counsel by the Plan (or its delegate) and the AT&T Non-Qualified Plan. A “good faith distribution” occurs when a Class Member’s Settlement Benefit, Class Counsel’s Attorneys’ Fees, or Named Plaintiffs’ Compensation is sent

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(either mailed to the last known address or, if applicable, electronically transferred pursuant to the instructions received by the Plan or its delegate pursuant to Sections 2 and 9 of the Agreement) by the Plan or under the AT&T Non-Qualified Plan to the appropriate payee pursuant to the Agreement even though the Parties recognize that the Plan or the AT&T Non-Qualified Plan may be notified that there are problems associated with some of the initial distributions made by the Plan or the AT&T Non-Qualified Plan to individual Class Members. The Plan or the AT&T Non-Qualified Plan will work as expeditiously as reasonably possible with any Class Member (or authorized representative thereof) to resolve all such problems. None of those problems, if any, affect the occurrence of Substantial Distribution or negate the "good faith" nature of any distribution made by the Plan or the AT&T Non-Qualified Plan.

"Total Notice Costs" means the amount up to \$75,000 paid by the Plan to the Claims Administrator for reimbursement of the Claims Administrator's expenses incurred for Qualified Notice, Non-Qualified Notice, and Publication Notice.

"Total Settlement Amount" is \$16,000,000. This is the total amount to be paid in settlement of all claims and shall include all claims for additional benefits, interest, attorneys' fees, costs, and expenses including, without limitation, the costs incurred by Plaintiffs and Class Counsel in providing Notice of the Settlement, and the Named Plaintiffs' Compensation.

2. SUMMARY OF TERMS OF SETTLEMENT

A. As described in more detail below, the Total Settlement Amount to be paid either by the Plan or under the AT&T Non-Qualified Plan is \$16,000,000. This includes all Settlement Benefits (Qualified and Non-Qualified) to the individual Known Class Members; Class Counsel's Attorneys' Fees as approved by the Court; the Named Plaintiffs' Compensation as approved by the Court; the Total Notice Costs; and interest (except as provided under Section

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9E of the Agreement, if applicable). The Plan and the AT&T Non-Qualified Plan will jointly pay directly to Class Counsel (in proportion to the total Qualified and Non-Qualified Settlement Benefits to be paid under this Agreement), by electronic transfer in accordance with the wiring instructions provided by Class Counsel, the amount of Class Counsel's Attorneys' Fees awarded by the Court pursuant to Fed. R. Civ. P. 23(h) within thirty (30) days of the Effective Date and owe interest at 6% simple interest on amounts delayed beyond thirty (30) days of the Effective Date. Plaintiffs shall seek an award of Class Counsel's Attorneys' Fees for the prosecution of the Lawsuit of not more than 30% of the Total Settlement Amount, and Defendant shall take no position on such request. The Plan shall report to the IRS the total amount of Class Counsel's Attorneys' Fees paid directly to Class Counsel.

B. In return for the payment described above, Plaintiffs and the Class will seek entry of a Final Order and Judgment in accordance with the terms of this Agreement dismissing with prejudice all claims in the Lawsuit and releasing the Plan, AT&T, and the AT&T Non-Qualified Plan as described below in Section 8. Further, the named plaintiffs in the *Calder* Lawsuit will dismiss the *Calder* Lawsuit with prejudice.

3. SUPPORT FOR APPROVAL OF SETTLEMENT

A. The Parties agree to recommend approval of this Agreement by the Court. Class Counsel and the Named Plaintiffs agree to recommend approval of the Settlement to all Class Members. The Parties agree to undertake their best efforts, including all steps that may become necessary by order of the Court or otherwise, to effectuate the terms and purposes of this Agreement, to secure the Court's approval, and to oppose any appeals from or challenges to a Final Order and Judgment approving this Agreement.

FINAL CLASS SETTLEMENT AGREEMENT

B. Within twenty-one (21) days of the execution of this Agreement by the Parties or such other date as may be acceptable to the Court, the Parties shall submit this Agreement, including all attached Exhibits, to the Court and seek to obtain from the Court a Preliminary Approval Order substantially in the same form as Exhibit A to this Agreement.

4. NOTICE OF PROPOSED CLASS SETTLEMENT

The Parties will recommend to the Court that Notice to the Class Members of this Settlement be provided and funded as follows, which the Parties agree is sufficient under the Due Process Clause of the United States Constitution:

A. If the Court preliminarily approves the Settlement, the Plan shall reimburse the Claims Administrator, up to a maximum of \$75,000, for the Claims Administrator's cost of sending Notice to the Class Members. Any costs of Notice in excess of \$75,000 will be paid by Class Counsel.

B. Within three (3) business days of entry of the Preliminary Approval Order, Defendant will provide Class Counsel and the Claims Administrator with a list of the Known Class Members along with the best addresses that it is able to obtain for each Known Class Member. The Claims Administrator will check such addresses against the National Change of Address database.

C. The Claims Administrator, in consultation with Class Counsel, will be responsible for providing mailed Notice to each Known Class Member, except that the preparation of the Qualified, Non-Qualified, and Qualified/Non-Qualified Notices to be sent to each Known Class Member shall be the sole responsibility of the Defendant and the cost of preparing and printing such Notices shall not be paid from the Total Settlement Amount. The Claims Administrator will begin mailing the Qualified Notice, the Non-Qualified Notice, and the

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Qualified/Non-Qualified Notice no later than twenty-one (21) days after the entry of the Court's Preliminary Approval Order, and the Claims Administrator will complete such mailing no later than thirty (30) days after the entry of such Order. Each such Notice will contain the address of a password protected webpage, created and maintained by and at the expense of Class Counsel, on which a redacted copy of the Plan Participant List will be published (comprising only the name of each Listed Plan Participant in alphabetical order), on a read-only basis to prevent downloading and printing of the redacted copy of the Plan Participant List from the webpage, together with a request to each Listed Plan Participant for assistance in identifying Plan Participants who have not been included on the Plan Participant List, so that any such person who may exist can be provided with a copy of the Notice and such Settlement Benefit as may be provided for by this Agreement. As specified in the Qualified Notice, Class Members will return to the Plan, or its delegate, a copy of each Class Member's election form specifying the form and/or manner in which the Class Member wishes to receive his Settlement Benefit, as explained below in Section 9. The Plan or its delegate will, as promptly as reasonably possible, provide copies of each Class Member's election form to Class Counsel or their delegate.

D. The Claims Administrator will publish the Publication Notice in the *USA Today* within thirty (30) days of the entry of the Court's Preliminary Approval Order, or as soon thereafter as possible.

E. If, after preliminary approval of the settlement and payment of an amount up to the \$75,000 identified in paragraph A above, the Settlement is not finalized as a result of something done or not done by Plaintiffs, then, within fifteen (15) days of the date upon which it was ascertainable that the Settlement would not be finalized, Class Counsel shall pay the portion of the \$75,000 that has already been paid to the Claims Administrator for Notice Costs as

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directed by Defendant. If the Court does not finally approve the Settlement for reasons not due to the actions or inactions of either Plaintiffs, Defendant, the AT&T Non-Qualified Plan, or AT&T, then, within fifteen (15) days of the Court's order (or any appellate court's order) not finally approving the Settlement, Class Counsel shall pay one-half of the funds that have been expended from the \$75,000 in providing Notice of the Settlement as directed by Defendant.

5. OBJECTIONS TO THE SETTLEMENT

The Parties agree, as part of their motion or motions for preliminary approval of the Settlement, to request that the Court enter the proposed Preliminary Approval Order substantially in the form attached as Exhibit A. This Order, in part, requires any Class Member who desires to file an objection to final approval of the Settlement or who wishes to be heard orally at the Fairness Hearing, to file a written notice of objection with the Clerk of the Court, and serve it on Class Counsel and Defendant's Counsel on or before thirty (30) days prior to the Fairness Hearing, and to include with any objection:

- A. A notice of intention to appear in Court if the objector desires to appear and be heard;
- B. A detailed statement of each objection asserted; and
- C. Any documents and writings which such Class Member desires the Court to consider and a list of witnesses the person may call by live testimony.

6. FINAL COURT APPROVAL OF THE SETTLEMENT

- A. Within ten (10) business days after the deadline for filing and serving objections as provided in the Preliminary Approval Order has passed, the Named Plaintiffs and Defendant shall jointly move for the Court's final approval of this Settlement, and agree to use their best efforts to obtain such approval.

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B. If a person appeals the Final Order and Judgment, the Parties will use their best efforts to defeat the appeal. The terms of this Agreement are subject to the Court's approval of the Final Order and Judgment and, in the event the Settlement is appealed, the approval of all applicable appellate courts. If the Court or any appellate court enters an order altering this Agreement in a way that would likely materially and adversely affect a Party, that Party may void the Agreement within five (5) business days from the date it receives notice of entry of the Court's or an appellate court's entry of such an order by giving written notice of intent to void the Settlement to the opposing Party's counsel.

7. EFFECT OF FAILURE TO OBTAIN FINAL APPROVAL OF SETTLEMENT

In the event that the Court does not grant final approval of this Settlement, or if there is an appeal and the Final Order and Judgment granting final approval is set aside, or if the Settlement does not become effective for any other reason, then the Settlement shall become null and void and of no further force and effect, all other deadlines will be stayed, and all related negotiations, proceedings, and statements shall be without prejudice as to the rights of any and all Parties and their respective parents, subsidiaries, predecessors, successors, and assigns. The Parties will jointly move the Court for the entry of a new scheduling order to provide a reasonable time for the completion of discovery and the filing of dispositive motions.

8. CLASS MEMBERS' RELEASES

As of the Effective Date, and in return for the consideration provided in the Agreement, Plaintiffs and all Class Members claiming by, through, or under the Listed Plan Participants, individually and on behalf of anyone acting on behalf of or for the benefit of Plaintiffs or Class Members claiming by, through, or under the Listed Plan Participants, including, but not limited to, agents, attorneys, predecessors, successors, insurers, administrators, heirs, executors and

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assigns (“Releasors”), shall release and discharge the Plan, AT&T, and the AT&T Non-Qualified Plan (collectively, the “Releasees”) as follows:

A. Releasors shall release, acquit, and forever discharge the Releasees from any and all past, present, and future causes of action, claims, damages, awards, equitable, legal, and administrative relief, interest, demands, or rights that are based upon, related to, or connected with, directly or indirectly, in whole or in part, the allegations, facts, subjects, or issues that have been, could have been, may be, or could be set forth or raised in this Lawsuit, or that concern or relate in any way to the EGB or the EPR Program, except as provided in the following sentence. Notwithstanding the foregoing, Releasors do not release, acquit, or discharge any claims that they, or the putative class representatives seeking to represent any of the Releasors, have asserted in *Parsons, et al. v. AT&T Pension Benefit Plan, et al.*, 06-CV-552 (D. Conn.) (CFD); the Releasors also do not release, acquit, or discharge any individual claim of any Class Member concerning the calculation of his EGB that, as of the date set for the Fairness Hearing, was or will be filed with the Plan in writing as a claim under the Plan. The Qualified, Non-Qualified, and Qualified/Non-Qualified Notices sent to the Listed Plan Participants will advise them that any such claim that has not been filed with the Plan in writing as a claim under the Plan prior to the date of the Fairness Hearing shall be deemed released.

B. Releasors, without limitation, are precluded and estopped from bringing in the future any claim or cause of action released in the preceding subparagraph.

C. Releasors acknowledge that they are releasing both known and unknown and suspected and unsuspected claims and causes of action, and are aware that they may hereafter discover legal or equitable claims or remedies presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true with

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respect to the allegations and subject matters in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program. Nevertheless, it is the intention of Releasors to fully, finally, and forever settle and release all such matters, and all claims and causes of action relating thereto which exist, hereafter may exist, or might have existed (whether or not previously or currently asserted in this Lawsuit).

D. Releasors expressly acknowledge certain principles of law applicable in some states, such as Section 1542 of the Civil Code of the State of California, which provide that a general release does not extend to claims that a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor. Notwithstanding the choice of law provision in the Agreement, to the extent that California or other law may be applicable and enforceable, Releasors hereby agree that the provisions of Section 1542 of the Civil Code of the State of California and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction that may be applicable here, are hereby knowingly and voluntarily waived and relinquished by Releasors, and Releasors agree and acknowledge that this provision is an essential term of the Agreement and this Release.

E. Releasors further agree that no third-party shall bring any Released Claims on behalf of any Releasor against any Releasee. Should any third-party do so, Releasors shall take all necessary action to secure the dismissal with prejudice of any such claim.

F. Nothing in this Release shall be deemed to release a Class Member's right to assert any claims or causes of action that arise from acts, facts, or circumstances arising exclusively after the entry of the Final Order and Judgment, or preclude any action to enforce the terms of this Agreement.

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G. This Release may be raised as a complete defense to and will preclude any action or proceeding that is encompassed by this Release. The Parties intend that the terms of the release provided by this Agreement are to be broadly construed in favor of Releasees and in favor of the complete resolution of all claims that were actually raised or that could have been raised in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program as described in subparagraph A above.

H. The provisions of this Release constitute an essential and material term of the Agreement to be included in the Final Order and Judgment entered by the Court.

9. CLASS MEMBERS' SETTLEMENT BENEFITS

As a compromise settlement of the Lawsuit, and in exchange for the releases and covenants described above, Defendant and the AT&T Non-Qualified Plan agree as follows:

A. **Settlement Benefit.** The amount of each Listed Plan Participant's Settlement Benefit will be calculated by multiplying the Net Settlement Benefit by the ratio that a Listed Plan Participant's estimated EPR Lump Sum Benefit bears to the sum of the EPR Lump Sum Benefits estimated by the Plan in September 2001 due all Listed Plan Participants, inclusive of amounts owing to the Class Members claiming benefits by, through, or under the Listed Plan Participants as beneficiaries, estates or alternate payees of the Listed Plan Participants. Where a Listed Plan Participant's Settlement Benefit was or is paid or owed in whole or in part to a Class Member who is a beneficiary, estate or alternate payee of such Listed Plan Participant, the amount of the Listed Plan Participant's Settlement Benefit so calculated will be divided among and paid to the Listed Plan Participant and his beneficiar(ies), estate, or alternate payee(s) in the same proportion as the original EGB Benefit was paid, absent an intervening court order or verified beneficiary designation requiring a different allocation. Where the Listed Plan

FINAL CLASS SETTLEMENT AGREEMENT

Participant who would otherwise receive all or a portion of the Settlement Benefit is deceased, the portion of the deceased Listed Plan Participant's Settlement Benefit that would be paid to him shall be paid to his estate.

B. Source of Payment. Each Class Member's Settlement Benefit shall be paid, to the greatest extent possible, from the Plan as a Qualified Settlement Benefit. If all or a portion of a Class Member's Settlement Benefit cannot be paid from the Plan as a Qualified Settlement Benefit, the AT&T Non-Qualified Plan shall pay the amount as a Non-Qualified Settlement Benefit.

C. Form of Payment.

1. *Tax Qualified Settlement Benefits.*

(i) Almost all Listed Plan Participants elected to receive the tax-qualified portion of their initial EGB benefit in the form of a lump sum. To the extent those Listed Plan Participants' Settlement Benefits will also be entitled to tax-qualified treatment and hence paid from the Plan, they will also be paid in the form of a lump sum, in the manner set forth in Section 9D.

(ii) Approximately two dozen Listed Plan Participants elected to receive the qualified portion of their initial EGB benefit in the form of an annuity ("Qualified Annuitant Plan Participants"). Qualified Annuitant Plan Participants will have a choice of receiving their Settlement Benefit in the form of: (A) an enhancement to their qualified annuity in the amount of their Settlement Benefit as actuarially determined by the Plan or its delegate in accordance with the terms of Internal Revenue Code § 417(e) in effect at the time of such determination, or (B) a lump sum distribution, in the manner set forth in Section 9D. Any Qualified Annuitant Plan Participant who fails to make an affirmative, timely election as

FINAL CLASS SETTLEMENT AGREEMENT

provided in the Qualified Notice to receive his Settlement Benefit in the form of a lump sum shall receive his Settlement Benefit in the form of an enhancement to his qualified annuity.

2. *Non-Tax Qualified Settlement Benefits.*

(i) Approximately 390 Listed Plan Participants (approximately 10% of all Listed Plan Participants) received all or a portion of their initial EGB in the form of a non-qualified benefit from the AT&T Non-Qualified Plan because the amount of their benefit exceeded statutory limits. The Settlement Benefits due these Class Members may have to be paid under the AT&T Non-Qualified Plan. All Non-Qualified Settlement Benefits will be paid as a lump sum distribution.

(ii) A very small number of Listed Plan Participants who previously received only qualified payments may be required to receive their Settlement Benefit or a portion thereof as a non-qualified payment. The form of those non-qualified payments will be made as a lump sum distribution under the AT&T Non-Qualified Plan.

D. Manner of Payment.

1. ***Tax Qualified Settlement Benefits.*** Class Members who will receive under Section 9.C.1(i) or who are entitled to elect to receive under Section 9.C.1(ii) their Qualified Settlement Benefit or a portion of their Qualified Settlement Benefit in the form of a lump sum will be so informed in the Qualified Notice and informed that they can elect to receive such qualified lump sum payment (“Qualified Lump Sum Settlement Benefit”) either via a rollover or via a direct payment, as follows:

(i). **Option 1 - Rollover:** A direct rollover of up to 100% of his Qualified Lump Sum Settlement Benefit to an individual retirement account (or “IRA”) or to another qualified plan that accepts rollovers designated by the Class Member in his response to

FINAL CLASS SETTLEMENT AGREEMENT

the Qualified Notice. If a Class Member elects to rollover less than 100% of his Qualified Lump Sum Settlement Benefit, the balance will be paid directly to the Class Member as a distribution, net of the Plan's Withholding for Federal Income Tax.

(ii) **Option 2 – Direct Payment:** A direct payment to the Class Member of 100% of his Qualified Lump Sum Settlement Benefit. If the Class Member elects this distribution option, the funds, net of the Plan's Withholding for Federal Income Taxes, will be distributed and sent directly to the Class Member.

(iii) **Default Elections:** If a Class Member does not affirmatively and timely elect within five (5) days prior to the Fairness Hearing either of the first two options above, he will be deemed to have elected option two ("Direct Payment") and the Class Member's Qualified Lump Sum Settlement Benefit (net of the Plan's Withholding for Federal Income Taxes) will be distributed and sent directly to the Class Member, unless the Class Member is a Qualified Annuitant Class Member. Qualified Annuitant Class Members who fail to make an affirmative and timely election of the form of payment of their Settlement Benefit, in accordance with the Qualified Notice, will receive an enhancement to their qualified annuity as described in Section C.1(ii)(A), above.

2. ***Non-Tax Qualified Settlement Benefits.*** An amount equal to any Non-Qualified Settlement Benefit payable to a Class Member, net of the Plan's Withholding for Federal Income Taxes, will be paid directly to the Class Member under the AT&T Non-Qualified Plan.

E. Interest on Undistributed Settlement Amounts If Substantial Distribution Has Not Occurred Prior To December 1, 2008. If Substantial Distribution is made by the Plan and under the AT&T Non-Qualified Plan prior to December 1, 2008, as to each

FINAL CLASS SETTLEMENT AGREEMENT

Known Class Member, no interest will ever accrue on either the Total Settlement Amount or the Net Settlement Benefit, or any undistributed amount thereof. If, however, Substantial Distribution is not made by the Plan or under the AT&T Non-Qualified Plan prior to December 1, 2008, the Total Settlement Amount (or Net Settlement Benefit, as the case may be) attributable to the Class Member who has not received Substantial Distribution will be increased by an annual rate of simple interest at 6% for each day after November 30, 2008, until the date on which Substantial Distribution occurs. Payment of interest, if any, will be made by the Plan or under the AT&T Non-Qualified Plan in accordance with the amounts payable under each pursuant to this Agreement.

F. Treatment of Plan Participants Omitted From The Plan Participant List, If Any.

1. The Plan represents that it has used its best efforts to identify and include on the Plan Participant List all Plan Participants and the full value of the initial EGB benefit they or their beneficiaries, estates, and alternate payees were estimated in September 2001 to be entitled to receive. The Plan knows of no other Plan Participants not identified on the Plan Participant List.

2. Despite the Plan's best efforts to accurately identify all Plan Participants on the Plan Participant List, if additional Plan Participants are subsequently identified prior to the issuance of the Final Order and Judgment, then those persons shall be added to the Plan Participant List for purposes of computing the Settlement Benefit allocated to each Plan Participant or Class Member under this Agreement and those persons shall be deemed Releasors under this Agreement. Likewise, if it is subsequently determined prior to the issuance of the Final Order and Judgment that there are people mistakenly included on the Plan Participant List, then those people shall be removed from the Plan Participant List for purposes

FINAL CLASS SETTLEMENT AGREEMENT

of computing the Settlement Benefit allocated to each Plan Participant or Class Member under this Agreement and they shall not be deemed to have provided a Release under this Agreement. Additions and removals to the Plan Participant List shall be by agreement of Defendant and Class Counsel (subject to the proviso in the next sentence), with disputes, if Defendant and Class Counsel shall not reach agreement, to be determined by the Court. Notwithstanding the foregoing, a putative Plan Participant may not be removed from the Plan Participant List without his consent, unless the Court shall order such removal after the putative Plan Participant has an opportunity to be heard. A putative Plan Participant or putative Class Member seeking to be added to the Plan Participant List or seeking the addition of a Plan Participant to the Plan Participant List whose inclusion may result in a payment to such putative Class Member may petition the Court for such an addition to the Plan Participant List, or intervene in any disputed proceeding to add a putative Plan Participant to the Plan Participant List in which such person has an interest. The Parties agree to use their best efforts to investigate the claims of any putative Class Member or putative Plan Participant seeking an addition to the Plan Participant List, to determine not only whether such an addition should be granted, but also whether others similarly situated to the Plan Participant to be added, should be added to the Plan Participant List. If the Plan Participant List increases or decreases in size by five (5) or more people prior to the issuance of the Final Order and Judgment, then the Settlement Agreement shall become null and void and of no further force and effect, all other deadlines will be stayed, and all related negotiations, proceedings, and statements shall be without prejudice as to the rights of any and all Parties and their respective parents, subsidiaries, predecessors, successors, and assigns. The Parties agree that in the event that this settlement becomes void because of the operation of this section 9F of the Agreement, they will negotiate in good faith to enter into a superseding

FINAL CLASS SETTLEMENT AGREEMENT

agreement, and will not abandon such efforts without first seeking the assistance of a mediator whether private or appointed by the Court.

10. DISMISSAL OF *CALDER* LAWSUIT WITH PREJUDICE

Within five (5) business days after the Effective Date, Class Counsel shall file in the *Calder* Lawsuit a Notice of Dismissal with Prejudice pursuant to Fed. R. Civ. P. 41(a)(1)(A)(i), such dismissal having been agreed to be the Plaintiffs therein.

11. NO ADMISSION OF LIABILITY

A. The Settlement reached in this Agreement is made only to compromise and settle the Lawsuit between the Class Members and Defendant without further litigation and should in no way be construed as an admission of liability or wrongdoing of any kind by Defendant. Rather, Defendant denies any wrongdoing or liability. This Settlement is intended to resolve claims disputed as to both the facts and the law, and each Party has relied upon its own respective employees' and counsel's advice and work in entering into this Settlement, and not the advice or work of any other Party's employees or counsel except that:

1. Plaintiffs, the Class, and Class Counsel have relied on the Plan Participant List and the earlier iterations of the Plan Participant List which were provided to Class Counsel by the Plan to ascertain the identities of the Plan Participants.

2. Plaintiffs, the Class, and Class Counsel have also relied on the reasonableness of the values represented in Plan Participant List Column B to estimate the amount by which the EGB of a Plan Participant would be increased in the event the EGB was recalculated to include the Plan Participant's pay for the pay period excluded by the Plan in the calculation of the Plan Participant's Pension Compensation. The Parties have concluded these values are a reasonable basis for fairly approximating the proportion of the Net Settlement

FINAL CLASS SETTLEMENT AGREEMENT

Benefit that should be allocated to each Class Member based on sample benefit recalculations performed by Defendant—and checked for accuracy by Enrolled Actuaries retained by Plaintiffs for this purpose—for twenty (20) Listed Plan Participants (other than the Named Plaintiffs, Leslie Vaughn-Smith, Charles Calder, and Michael Pharis) for whom it has readily available data to perform the benefit recalculation. A random number generator will be used to select twenty (20) row numbers, corresponding to twenty Listed Plan Participants, from a spreadsheet containing all the Plan Participants except for the Named Plaintiffs, Leslie Vaughn-Smith, Charles Calder, and Michael Pharis, and from that list Defendant will provide the benefit recalculation for each randomly selected Listed Plan Participant for whom Defendant has readily available data to perform the benefit recalculation. If Defendant does not have readily available data to perform the benefit recalculation(s) for any of the Listed Plan Participants randomly selected pursuant to the methodology in the preceding sentence, Defendant will provide Class Counsel with a brief explanation of why the benefit recalculation for any randomly selected Listed Plan Participant cannot be readily performed. Class Counsel shall not unreasonably withhold their consent to allowing Defendant to randomly select replacements (using the methodology described above) until twenty benefit recalculations have been performed by Defendant on randomly selected Listed Plan Participants. These sample calculations form part of the basis for Plaintiffs' and Class Counsel's willingness to release the claims of the Plan Participants identified on the Plan Participant List (and the Class Members claiming by, through, or under those Plan Participants) and, together with appropriate explanations, shall be submitted to the Court in connection with the Motions for Preliminary Approval and/or Final Approval to be jointly submitted by the Parties.

FINAL CLASS SETTLEMENT AGREEMENT

B. No Party to this Settlement, and no one in privity with any such Party, may argue before any court, agency, or other forum that the Settlement shows or evidences in any way that Defendant violated any law or legal obligation. Neither this Agreement nor any of the negotiations or proceedings connected with this Settlement and the Lawsuit may be offered or received in evidence for any purpose other than for purposes of the proceedings to approve this Agreement, to obtain dismissal of the Lawsuit and the *Calder* Lawsuit, or otherwise to enforce this Agreement.

12. MODIFICATIONS

The Parties may jointly agree by written amendment to modify the provisions of this Agreement as they in concert deem necessary to effectuate the intent of this Agreement. However, no agreement may be made that reduces or impairs any Settlement Benefit of any Class Member without approval of the Court.

13. BINDING EFFECT OF THE AGREEMENT

The terms and provisions of this Agreement shall be binding upon and inure to the benefit of each of the Parties and each of their respective predecessors, successors, heirs, and assigns.

14. MULTIPLE ORIGINALS/COUNTERPARTS

This Agreement, including its Exhibits, may be executed in one or more counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of which taken together shall constitute but one of the same instrument.

15. AUTHORITY OF PERSONS SIGNING AGREEMENT

The individuals executing this Agreement for the Parties represent and warrant that they do so with full authority to bind each such party to the terms and provisions in this Agreement.

FINAL CLASS SETTLEMENT AGREEMENT

16. ENTIRE AGREEMENT

This Agreement is the entire agreement and understanding among each of the Parties and supersedes all prior proposals, negotiations, agreements, and understanding between the Parties. The Parties acknowledge, stipulate, and agree that no covenant, obligation, condition, representation, warranty, inducement, negotiation, or understanding concerning any part or all of this Agreement has been made or relied on except to the extent expressly set forth in this Agreement.

17. COMMITMENT TO FURTHER SUPPORT AND FURTHER ASSURANCES

Named Plaintiffs, Class Counsel, and Defendant agree to recommend approval of and support this Agreement to the Court and to the Class Members and to undertake their best efforts, including all reasonable steps and efforts contemplated by this Agreement and any other reasonable steps and efforts that may be necessary or appropriate, by order of the Court or otherwise, to carry out the terms of this Agreement. Each Party shall undertake good faith efforts to perform any and all of that Party's obligations under this Agreement. In this connection, each Party shall take any and all actions, and execute, have acknowledged, and deliver any and all further documents that one or more other Parties may reasonably request to effectuate the intent and purpose of this Agreement.

18. COSTS

Apart from the specific costs and duties assigned to each Party in this Agreement, and an award of Class Counsel's Attorneys' Fees as specified and delineated in Section 2 of the Agreement, the Parties hereby each agree to bear their own costs and expenses incurred in connection with the Lawsuit and this Agreement.

FINAL CLASS SETTLEMENT AGREEMENT

19. SECTION TITLES

The headings in this Agreement are inserted as a matter of convenience only, and do not define, limit, or describe the scope of this Agreement or the intent of the provisions.

20. NO PRESUMPTION AGAINST DRAFTER

None of the Parties shall be considered to be the drafter of this Agreement or any of its provisions for the purpose of any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter.

21. CONFIDENTIALITY

Other than as specifically ordered by the Court, the Parties (including any attorney or other representative or agent of any Party) shall not issue any mass or generalized communications about the Settlement (other than disclosures required by law), whether by press release or other means, except that the Parties shall issue a press release upon the filing of a motion for preliminary approval announcing the Settlement (attached as Exhibit G, hereto) and the Parties shall agree on the wording of press releases to be issued upon the issuance of the Preliminary Approval Order and the Final Approval Order, which releases may be posted on the websites of the Parties or counsel for the Parties. The press release attached as Exhibit G to the Agreement, the Recitals in the Settlement Agreement, and any subsequent press releases agreed upon by the Parties, are the only descriptions of the Lawsuit that the Parties shall post on their website, other than unsealed copies (or portions thereof) of Court documents or other writings, agreed to by the Parties, that summarize or describe the Lawsuit. Further, the addresses, social security numbers, and other personal data concerning the Class Members shall remain confidential (except as to Class Counsel and their experts, Defendant, and Defendant's Counsel) and shall be sealed and not released outside the Court except that Known Class Members may be

FINAL CLASS SETTLEMENT AGREEMENT

provided with the names of Listed Plan Participants as provided for herein, and Class Counsel may request that retiree organizations, in an effort to identify Plan Participants who have not been included on the Plan Participant List, publish the Publication Notice in the form attached as Exhibit E. Nothing herein limits Class Counsel's communications with Class Members or prospective clients. The Parties' oral or written communications with anyone else (e.g. the press or members of the public not seeking legal advice) inquiring about the Lawsuit or this Agreement shall be limited to providing factual responses to specific questions about the Lawsuit or this Agreement that do not disclose information protected by the attorney-client privilege or work product exception and that do not disclose any information concerning the discussions, communications, and negotiations concerning this Agreement. Nothing herein prohibits Class Counsel from describing the allegations made on behalf of the Class; however, in no event, whether to clients, prospective clients, or anyone else, shall any communication concerning the Lawsuit or this Agreement disparage, demean, or criticize the Settlement, the Agreement, any of the Parties, AT&T, or any representative, attorney, or agent of the Parties.

22. WAIVERS

The waiver by any Party of any breach of this Agreement shall not be deemed or construed as a waiver of any other breach, whether prior, subsequent, or contemporaneous of this Agreement.

23. EXTENSIONS OF TIME

The Parties may agree in writing to reasonable extensions of time to carry out any of the provisions of this Agreement, subject to approval by the Court.

FINAL CLASS SETTLEMENT AGREEMENT

24. DEADLINES FALLING ON WEEKENDS OR HOLIDAYS

To the extent any deadline set forth in this Agreement falls on a Saturday, Sunday, or legal holiday, that deadline shall be continued until the following business day.

25. FORCE MAJEURE

The failure of any Party to perform any of its obligations hereunder shall not subject any Party to any liability or remedy for damages, or otherwise, where such failure is occasioned in whole or in part by acts of God, fires, accidents, other natural disasters, interruptions or delays in communication or transportation, labor disputes or shortages, governmental laws, acts or failures to act of any third parties, or any other circumstances or causes beyond the reasonable control of such Party.

26. SEVERABILITY

In the event that any one or more of the provisions contained in this Agreement shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall in no way affect any other provision if Class Counsel and Defendant's Counsel mutually elect in writing to proceed as if such invalid, illegal, or unenforceable provision had never been included in this Agreement.

27. NOTICES

Whenever this Agreement requires or contemplates that one Party shall give notice to another, notice shall be provided by Adobe PDF attachment to email and/or by next-day express delivery as follows:

FINAL CLASS SETTLEMENT AGREEMENT

If to Plaintiffs and/or the Class Members:

Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
255 S. 17th Street, Suite 1307
Philadelphia, PA 19103
mmachiz@cmht.com

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
eli@gottesdienerlaw.com

If to Defendant:

Charles D. Tetrault
Vinson & Elkins L.L.P.
1455 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004-1008
ctetrault@velaw.com

John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760
jcarter@velaw.com

28. TAX CONSEQUENCES

No opinion concerning the tax consequences of the Settlement to individual Class Members is being given or will be given by Defendant, Defendant's Counsel, or Class Counsel, nor is any representation or warranty in this regard made by virtue of this Agreement. Each Class Member's tax obligations, and the determination thereof, are the sole responsibility of the Class Member, and it is understood that the tax consequences may vary depending upon the particular circumstances of each individual Class Member.

FINAL CLASS SETTLEMENT AGREEMENT

29. THIS AGREEMENT GOVERNS

To the extent there is any inconsistency between this Agreement and any Notice, this Agreement shall govern and operate to define the rights and obligations of the Parties.

30. CHOICE OF LAW

The Parties understand and agree that this Agreement, and any disputes arising out of this Agreement, shall be governed and construed by, and in accordance with, the laws of the State of Texas, without reference to choice of law principles.

31. MATERIAL MISTAKE OF FACT OR CHANGE IN CIRCUMSTANCES

If between the time of the Preliminary Approval Order and the Fairness Hearing any material mistake of fact or material change in circumstances concerning any aspect of this Agreement or undermining or contradicting a material assumption of a Party to the Agreement is discovered, then, upon written notice to the other Party within five (5) business days of the discovery of a material mistake of fact or material change in circumstances, the Parties shall negotiate in good faith to modify the Agreement to reasonably account for the material mistake of fact or material change in circumstances. If no agreement can be reached by the Parties within thirty (30) days of notice of the material mistake of fact or material change in circumstances, then the Agreement shall become null and void and of no further force and effect, all other deadlines will be stayed, and all related negotiations, proceedings, and statements shall be without prejudice as to the rights of any and all Parties and their respective parents, subsidiaries, predecessors, successors, and assigns. The Parties will jointly move the Court for the entry of a new scheduling order to provide a reasonable time for the completion of discovery and the filing of dispositive motions.

FINAL CLASS SETTLEMENT AGREEMENT

32. COURT'S CONTINUING JURISDICTION

The Court shall retain exclusive jurisdiction over Plaintiffs, Defendant, Class Members, and the Lawsuit with respect to matters arising out of or connected with the Settlement, and may issue such orders as necessary to implement the terms of the Settlement.

[Signature page follows]

FINAL CLASS SETTLEMENT AGREEMENT

NAMED PLAINTIFFS:

By: _____ Dated: _____
Marian R. Wagner

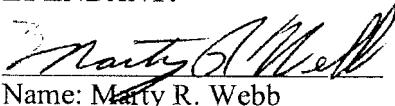
By: _____ Dated: _____
Donald F. Champoux

FOR THE NAMED PLAINTIFFS, THE CLASS MEMBERS HEREIN, AND THE PLAINTIFFS IN THE CALDER LAWSUIT:

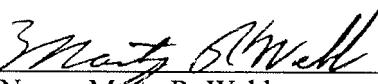
By: _____ Dated: _____
Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
One South Broad Street, Suite 1850
Philadelphia, PA 19107

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Dated: _____

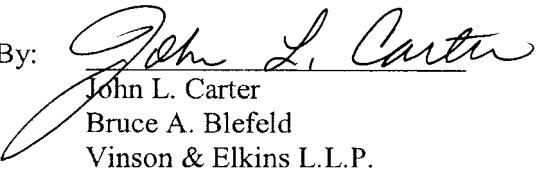
FOR DEFENDANT:

By: 
Name: Marty R. Webb
Title: Vice President - Benefits
Dated: 7/28/2008

FOR AT&T PENSION BENEFIT MAKE-UP PLANS I & II:

By: 
Name: Marty R. Webb
Title: Vice President - Benefits
Dated: 7/28/2008

APPROVED AS TO FORM FOR DEFENDANT AND AT&T PENSION BENEFIT MAKE-UP PLANS I & II:

By: 
John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760
Dated: 7/28/2008

CLASS SETTLEMENT AGREEMENT

NAMED PLAINTIFFS:

By: Marian Wagner
Marian R. Wagner

Dated: 7/24/2008

By: _____
Donald F. Champoux

Dated: _____

FOR THE NAMED PLAINTIFFS, THE CLASS MEMBERS HEREIN, AND THE PLAINTIFFS IN THE CALDER LAWSUIT:

By: Marc I. Machiz
Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
One South Broad Street, Suite 1850
Philadelphia, PA 19107

Dated: 7-28-08

Eli Gottesdiener
Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215

Dated: 7-28-08

FOR DEFENDANT:

By: _____
Name: _____
Title: _____

Dated: _____

FOR AT&T PENSION BENEFIT MAKE-UP PLANS I & II:

By: _____
Name: _____
Title: _____

Dated: _____

APPROVED AS TO FORM FOR DEFENDANT AND AT&T PENSION BENEFIT MAKE-UP PLANS I & II:

By: _____
John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760

Dated: _____

FINAL CLASS SETTLEMENT AGREEMENT

NAMED PLAINTIFFS:

By: _____ Dated: _____
Marian R. Wagner

By:  Dated: July 24, 2008
Donald F. Champoux

FOR THE NAMED PLAINTIFFS, THE CLASS MEMBERS HEREIN, AND THE PLAINTIFFS IN THE CALDER LAWSUIT:

By: _____ Dated: _____
Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
One South Broad Street, Suite 1850
Philadelphia, PA 19107

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Dated: _____

FOR DEFENDANT:

By: _____ Dated: _____
Name:
Title:

FOR AT&T PENSION BENEFIT MAKE-UP PLANS I & II:

By: _____ Dated: _____
Name:
Title:

APPROVED AS TO FORM FOR DEFENDANT AND AT&T PENSION BENEFIT MAKE-UP PLANS I & II:

By: _____ Dated: _____
John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760

FINAL CLASS SETTLEMENT AGREEMENT

EXHIBITS

- A. Preliminary Approval Order
- B. Qualified Notice (includes both Qualified Notice (Lump Sum) and Qualified Notice (Annuity))
- C. Non-Qualified Notice
- D. Qualified/Non-Qualified Notice
- E. Publication Notice
- F. Final Order and Judgment
- G. Press Release

Houston 3695770v1

EXHIBIT A

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

MARIAN R. WAGENER and	§
DONALD F. CHAMPOUX, <i>et al.</i>	§
Plaintiffs	§
v.	§
SBC PENSION BENEFIT PLAN—NON	§
BARGAINED PROGRAM	§
Defendant.	§

**ORDER PRELIMINARILY APPROVING SETTLEMENT AND APPROVING NOTICE
TO THE CLASS**

WHEREAS, Plaintiffs, Marian R. Wagener and Donald F. Champoux, individually and on behalf of the Class they represent, and Defendant SBC Pension Benefit Plan—Non Bargained Program (“Plan”), have determined to settle the above-captioned matter (the “Lawsuit”) on the terms and conditions set forth in the Class Settlement Agreement dated July 28, 2008 (the “Settlement”), the original of which is filed with the Clerk of the Court;

WHEREAS, Plaintiffs and Defendant have moved, pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, for an Order, *inter alia*, preliminarily approving the settlement in accordance with the terms of the Settlement, and providing for Notice to the Class;

WHEREAS, the Court, having read and considered the Settlement and the exhibits thereto, including the proposed (i) Notice to the Class and (ii) the Final Order and Judgment, finds that substantial and sufficient grounds exist for entering this preliminary approval Order; and

WHEREAS, upon review and consideration of the Settlement, the allegations in the Complaint, and the memorandum of points and legal authorities submitted in support of the Joint

Motion for an Order Preliminarily Approving Settlement and Approving Notice to the Class, the Court has found good cause for entering the following Order.

THEREFORE, IT IS ORDERED THAT:

1. The definitions and terms set forth in the Settlement are hereby adopted and incorporated into this Order.

2. The proposed Settlement is hereby preliminarily approved. The Court finds that the proposed Settlement is fair, reasonable, and adequate; is the product of informed arm's length negotiation by counsel; contains no obvious deficiencies that would prevent preliminary Court approval or, ultimately, final Court approval; and is thus within the range of possible approval. Accordingly, notice thereof should be given to the Class Members.

3. The Court's preliminary approval of the settlement of this class action on the terms set forth in the Settlement shall be subject to further consideration at a hearing to be held before this Court on _____, 2008 at ____ (the "Fairness Hearing"). The Court will determine at or following the Fairness Hearing whether the proposed settlement of the Lawsuit on the terms and conditions provided for in the Settlement is fair, reasonable, and adequate and should be finally approved by the Court, the amount of attorneys' fees, costs, and expenses that should be awarded to Class Counsel pursuant to Rule 23(h) of the Federal Rules of Civil Procedure, and the amount to be awarded to Named Plaintiffs for their contributions to the Class. The Court may adjourn and/or reset the Fairness Hearing without further notice to the Class Members other than by announcement at the Fairness Hearing.

4. The Court approves the form and substance of the several forms of notice to the Class (collectively "Notice") which are attached to the Settlement as exhibits. The Court finds that the procedures established for Notice by the Settlement are the best practicable and are

reasonably calculated, under all the circumstances, to apprise the Class Members of the pendency of this Lawsuit and the Settlement, afford any Class Member an opportunity to present his objections to Settlement, and comply in all respects with Rule 23 of the Federal Rules of Civil Procedure and all the requirements of due process. In connection with providing Notice to the Class, Class Counsel shall create and maintain at their expense a password protected webpage on which a redacted copy of the Plan Participant List will be published (comprising only the name of each Listed Plan Participant in alphabetical order) on a read-only basis to prevent downloading and printing of the redacted copy of the Plan Participant List from the webpage.

5. Complete Claims Solutions, LLC is hereby appointed as Claims Administrator, and shall be responsible for providing Notice of the preliminarily approved Settlement in accordance with the provisions of the Settlement and this Order.

A. The Qualified Notice for those receiving a qualified lump sum benefit, the Qualified Notice for those receiving a qualified annuity benefit, the Qualified/Non-Qualified Notice for those receiving settlement proceeds in the form of both types of benefits, and the Non-Qualified Notice for those receiving a non-qualified benefit, substantially in the form attached as Exhibits B, C, and D respectively to the Settlement Agreement, shall be provided by Defendant to the Claims Administrator within three (3) business days of entry of this Order, each including the estimated amount of the Qualified and/or Non-Qualified Settlement Benefit to be paid to each Known Class Member, and shall be mailed by the Claims Administrator to all Class Members, by first-class mail, postage pre-paid, beginning no later than twenty-one (21) days after the entry of this Order; all such mailing shall be completed no later than thirty (30) days after the entry of this Order. The appropriate notices shall be sent to all Class Members at their

last known addresses with address updating and verification where reasonably available. Defendant shall provide Class Counsel and the Claims Administrator within three (3) business days of entry of this Order the best addresses it has for each Class Member. The Claims Administrator will check such addresses against the National Change of Address database. The Claims Administrator shall, at least seven (7) days prior to the Fairness Hearing, file with the Court proof of mailing of the Notices to all Class Members.

B. The Publication Notice, substantially in the form attached as Exhibit E to the Settlement, shall be published in the *USA Today* within thirty (30) days of entry of this Order (or as soon thereafter as possible). The Claims Administrator shall, at least seven (7) days prior to the Fairness Hearing, file with the Court proof of such publication.

6. By no later than seven (7) days prior to the Fairness Hearing, Class Counsel and Defendant's Counsel shall file with the Court papers in support of final approval of the Settlement. By no later than twenty-eight (28) days prior to the Fairness Hearing, Class Counsel shall file an application for attorneys' fees and reimbursement of costs and expenses, and within three (3) business days thereafter, Class Counsel shall publish said application on the website dedicated to the lawsuit: www.EPRClassAction.com. Copies of all papers shall be served upon all persons or their counsel who file a valid and timely objection to the Settlement (as described below).

7. Any Class Member may appear at the Fairness Hearing, in person or by counsel, and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness, and adequacy of the Settlement, the application for an award of attorneys' fees, costs, and expenses to Class Counsel, and the compensation to be awarded to Named Plaintiffs. Unless such requirement is excused by the Court, no person shall be heard in opposition to the Settlement, the

application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to Named Plaintiffs' Compensation unless, on or before fourteen (14) days prior to the Fairness Hearing, such person files with the Clerk of the Court a notice of an intention to appear and provides a written statement that indicates all bases for objection, all documentation in support of the objection, and legal authority, if any, supporting the objection. Copies of such notice, statement, and documentation, together with copies of any other papers or briefs filed with the Court, must be simultaneously delivered to Class Counsel and Defendant's Counsel. Any Class Member who does not object in the foregoing manner shall be deemed to have waived all objections and shall be foreclosed from making any objections to the Settlement.

8. The Court reserves the right to adjourn and/or reset the Fairness Hearing without further notice of any kind; therefore, any Class Member intending to attend the Fairness Hearing should (in addition to complying with all instructions and requirements above) confirm the date, time, and location of the Fairness Hearing with Class Counsel.

9. If the Court finally approves the Settlement, all Class Members shall be bound by all the provisions of the Settlement and all determinations and judgments in this Lawsuit, including the Final Order and Judgment dismissing the Lawsuit with prejudice. No Class Member may opt-out of the Settlement.

10. Pending the final determination of whether the Settlement should be approved, all proceedings and discovery in this Lawsuit are stayed, except as specifically provided for in this Order. If the Settlement is terminated, the Settlement is not finally approved by the Court, or the Effective Date does not for any reason occur, the stay of the Lawsuit shall be immediately terminated. The parties shall, as soon thereafter as possible, request a new Scheduling Order from the Court.

11. Pending the final determination of whether the Settlement should be approved, Plaintiffs and each Class Member shall be enjoined from commencing or prosecuting, either directly or indirectly, any action in any other court concerning or relating to any of the Released Claims. Such injunction shall remain in force until the Effective Date or until such time as Plaintiffs and Defendant notify the Court that the Settlement has been terminated.

12. If the Settlement is finally approved by the Court, the Court shall retain exclusive jurisdiction over Plaintiffs, Defendant, the Class Members, and the Lawsuit, in each case only with respect to matters arising out of, or connected with, the Settlement, and may issue such orders as necessary to implement the terms of the Settlement. The Court may approve the Settlement, with such modifications as may be agreed to by Plaintiffs and Defendant, if appropriate, without further notice to the Class Members.

SO ORDERED.

Dated: _____, __, 2008.

Royce C. Lamberth
Chief Judge, United States District Court

Houston 3695683v1

EXHIBIT B

QUALIFIED NOTICE (LUMP SUM)

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

MARIAN R. WAGENER and §
DONALD F. CHAMPOUX, *et al.* §
§
Plaintiffs § C.A. No. 1:03CV00769 (RCL)
v. §
§
SBC PENSION BENEFIT PLAN—NON §
BARGAINED PROGRAM §
§
Defendant. §

**NOTICE OF PENDENCY AND SETTLEMENT OF CLASS ACTION AND HEARING
ON SETTLEMENT OF CLASS ACTION**

TO: [Each Known Class Member receiving a Qualified Lump Sum Benefit under the Settlement Agreement]

PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF A CLASS ACTION LAWSUIT AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS.

1. **NOTICE OF CLASS ACTION AND THE COURT'S PRELIMINARY APPROVAL OF SETTLEMENT**

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure, and an Order of the United States District Court for the District of Columbia (the "Court"), that an agreement to settle ("Settlement Agreement" or "Agreement") the above-captioned matter (the "Lawsuit") has been made and entered into by and among Plaintiffs Marian R. Wagener and Donald F. Champoux ("Plaintiffs") individually and on behalf of the Class (as defined below) that they represent, and Defendant SBC Pension Benefit Plan—Non Bargained Program ("Defendant" or "Plan"). THE PURPOSE OF THIS NOTICE is to inform the Class Members of (i) a proposed settlement of the Lawsuit between the Class Members and Defendant; and (ii) a hearing (the "Fairness Hearing") to be held before the Honorable Royce C. Lamberth at the United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001 on _____, 2008 at _____. The Fairness Hearing will determine (i) whether the Court should grant final approval of the Agreement; (ii) whether the Court should enter final judgment dismissing the Lawsuit with prejudice; (iii) if the Court approves the Agreement and enters a final judgment, the amount of attorneys' fees, costs, and expenses to be awarded by the Court to Class Counsel ("Class Counsel's Attorneys' Fees"); and (iv) the amount of compensation to be paid to the two Named Plaintiffs for their contributions to the Class.

On _____, 2008, the Court issued an Order granting Preliminary Approval of the Settlement Agreement, preliminarily finding that the terms of the Agreement are fair, reasonable, and adequate; approving the forms and methods of Notice to the Class Members; and scheduling the Fairness Hearing. This notice is merely a summary of the terms of the Agreement, and you should refer to the Settlement Agreement for the complete terms of the Agreement. This Notice uses certain capitalized terms that are defined in the Settlement Agreement.

THIS NOTICE IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, AN EXPRESSION OF ANY OPINION BY A COURT AS TO THE TRUTH OR FALSITY OF THE ALLEGATIONS IN THE LITIGATION OR THE MERITS OF THE CLAIMS OR DEFENSES ASSERTED.

2. DESCRIPTION OF THE LAWSUIT AND REASONS FOR SETTLEMENT

A. On March 27, 2003, Named Plaintiffs filed suit against the Plan under the Employee Retirement Income Security Act ("ERISA"). The Named Plaintiffs, on behalf of a class of Plan participants who received an enhanced pension benefit from the Plan under the Enhanced Pension and Retirement Program ("EPR Program"), alleged that the Plan improperly calculated the benefits due under the EPR Program and wrongfully denied Named Plaintiffs' claims for additional pension benefits. Named Plaintiffs contended that the Plan improperly computed Pension Compensation for purposes of calculating the Enhanced Grandfathered Benefit ("EGB") under the EPR Program of the Plan. Plaintiffs alleged that the Plan improperly excluded pay for certain work performed from the computation of Average Annual Compensation, a component of the EGB calculation, during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

B. Prior to filing the Lawsuit, Plaintiffs pursued, under the Plan's terms, an administrative claim for additional benefits with the Plan's Benefit Plan Committee ("BPC"), the Plan entity responsible for determining benefits and interpreting the Plan. Plaintiffs complained that the Plan's determination that pay received by Plaintiffs after the end of the Averaging Period should be excluded from the computation of Average Annual Compensation for the EGB violated the Plan's terms. The BPC denied Plaintiffs' administrative claim for additional benefits. Defendant contends that the BPC denied Plaintiffs' claims on appeal after due consideration because (a) Plan amendments required the use of a participant's actual base pay rather than basic rate of pay in computing Average Annual Compensation; and (b) the BPC determined that, under the actual base pay amendments, only pay actually received during the Averaging Period was included in the calculation of a participant's Average Annual Compensation for the EGB. Defendant contends that the BPC thus concluded that the Plan had properly calculated Plaintiffs' EGB because the Plan's terms required that the pay Plaintiffs received after the end of the Averaging Period be excluded from the calculation of Average Annual Compensation for the EGB.

C. The Plan moved to dismiss Plaintiffs' Complaint for failure to state a claim. The Plan contended that, because of the discretion granted to the BPC under the Plan to determine benefits and construe the Plan's terms, the BPC's interpretation of the Plan is entitled to a

deferential standard of review by the Court and can be set aside only in the event that the decision was an abuse of discretion. The Plan contended that because the BPC's interpretation of the Plan and the actual base pay amendments was reasonable, its denial of Plaintiffs' claims for additional benefits was not an abuse of discretion and should therefore not be overturned by the Court.

D. On March 29, 2004, the Court granted the Plan's motion to dismiss Named Plaintiffs' claims and dismissed Named Plaintiffs' Complaint. The Court determined that the interpretation of the Plan and the Plan amendments advanced by the Plan as having been adopted by the BPC was "reasonable."

E. Named Plaintiffs appealed the dismissal of their Complaint. In *Wagener v. SBC Pension Benefit Plan—Non-Bargained Program*, 407 F.3d 395 (D.C. Cir. 2005), the D.C. Circuit Court of Appeals reversed the district court's order dismissing the Lawsuit and remanded the case to the District Court. The Parties have disputed the appropriate scope of the remand. Defendant contends that the remand was for the limited purpose of determining (1) whether the interpretation of 'actual base pay' rendered by the BPC "or other Plan fiduciaries with responsibility for construing and administering the Plan" was consistent with the Plan's "equal treatment clause" contained in the Plan amendment defining the EPR Program; and (2) whether the BPC operated under a conflict of interest at the time it made its decisions. Plaintiffs contend that the District Court may consider on remand any matter germane to whether the denial of benefits violated the terms of the Plan.

F. On August 11, 2005, the Plan filed its Answer to Plaintiffs' Class Action Complaint. The Plan denied all wrongdoing and asserted, among other things, that (i) Plaintiffs failed to state a claim under ERISA; (ii) Plaintiffs had no viable claim for additional benefits because the BPC's interpretation of the Plan was consistent with its express terms which have been consistently applied to all similarly situated Plan participants and beneficiaries; and (iii) Plaintiffs' claims were barred by the applicable statute of limitations.

G. On September 21, 2005, the Court certified a mandatory Class under Fed. R. Civ. P. 23(b)(1)(A), 23(b)(1)(B), and 23(b)(2), of all persons or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the EGB under the EPR program of the Plan was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

H. The Parties engaged in substantial discovery with respect to Plaintiffs' claims, including depositions, interrogatories, requests for admissions, and the exchange of a substantial number of documents. Defendant disputes the Named Plaintiffs' claims in the Lawsuit. Defendant has denied, and continues to deny, any liability to the Named Plaintiffs or to any Class Member.

I. On March 26, 2007, Plaintiffs filed a First Amended Complaint alleging, *inter alia*, that the determination to deny Plaintiffs' claims was in fact made by SBC rather than the BPC, that the denial was motivated by SBC's financial interest, and that the actual rationale

employed by the BPC in denying Plaintiffs' appeals differed from the rationale advanced as reasonable by Defendant in the instant litigation. On May 11, 2007, Defendant filed its Answer to the Amended Complaint denying these allegations. Thereafter, Plaintiffs conducted additional discovery on their allegations. While discovery was ongoing, the Parties reached agreement on the terms of Settlement.

J. The Parties believe in the merits of their respective positions. However, to avoid the expense, inconvenience, and distractions of burdensome, protracted litigation; to obtain the benefits, releases, orders, and judgments contemplated by the Settlement Agreement; and to resolve finally and fairly all claims, known and unknown, that have been or might be asserted by Plaintiffs or Class Members against Defendant, AT&T, or the AT&T Non-Qualified Plan relating to the EGB or the EPR Program, the Parties entered into the Agreement. For these reasons, the Plan determined that settling this Lawsuit in accordance with the terms and conditions of the Agreement is in the best interests of all Plan participants. Likewise, Plaintiffs and their counsel extensively investigated and evaluated their claims and the Plan's available defenses and, considering the benefits promised by the Agreement and the costs and uncertainty of establishing a right to recovery, have concluded, after extensive negotiations over the terms of the Agreement, that the Agreement is fair, reasonable, and adequate and in the best interests of the Class Members.

3. DESCRIPTION OF THE SETTLEMENT BENEFITS

The following is a description of the Settlement of this Lawsuit and the Qualified Settlement Benefit you will receive under the Agreement if the Agreement and the amount of Class Counsel's Attorneys' Fees and Named Plaintiffs' Compensation are finally approved by the Court in an order and judgment that becomes final and binding for all purposes:

A. TOTAL SETTLEMENT AMOUNT AND NET SETTLEMENT BENEFIT

The Total Settlement Amount to be paid either by the Plan or under the AT&T Non-Qualified Plan is \$16,000,000. The Net Settlement Benefit available for payment to Plan Participants (or Class Members claiming by, through, or under a Plan Participant) is the Total Settlement Amount (\$16,000,000) *less* (1) Class Counsel's Attorneys' Fees; (2) Named Plaintiffs' Compensation approved by the Court; and (3) the Total Notice Costs. (1) The Court will determine the amount of Class Counsel's Attorneys' Fees in accordance with Fed. R. Civ. P. 23(h), but Class Counsel has agreed not to seek an award of fees (inclusive of costs and expenses) in excess of 30% of the Total Settlement Amount, *i.e.*, \$4.8 million. (2) The Court will also determine the Named Plaintiffs' Compensation (if any), but Named Plaintiffs (Marian R. Wagener and Donald F. Champoux) have agreed not to seek compensation for their services to the Class from the Total Settlement Amount in excess of \$3,000 each. (3) Total Notice Costs will not exceed \$75,000.

B. DETERMINATION OF CLASS MEMBERS' SETTLEMENT BENEFIT

The amount of each Plan Participant's Settlement Benefit (or the Settlement Benefit of a Class Member claiming by, through, or under a Plan Participant) will be calculated by

multiplying the Net Settlement Benefit (*see paragraph 3A* above—\$16,000,000 less Class Counsel’s Attorneys’ Fees, Named Plaintiffs’ Compensation, and the Total Notice Costs) by the ratio that a Plan Participant’s estimated EPR Lump Sum Benefit, calculated by the Plan in September 2001, bears to the sum of the EPR Lump Sum Benefits estimated by the Plan in September 2001 to be paid to all Plan Participants. Each Class Member’s Settlement Benefit shall be paid, to the greatest extent possible, from the Plan as a Qualified Settlement Benefit. If all or a portion of a Class Member’s Settlement Benefit cannot be paid from the Plan as a Qualified Settlement Benefit, the AT&T Non-Qualified Plan shall pay the amount as a Non-Qualified Settlement Benefit.

C. Because you are receiving this Notice, if the Settlement Agreement is finally approved by the Court and becomes final for all purposes, you will receive a Qualified Settlement Benefit under the Agreement. If the maximum permitted Class Counsel’s Attorneys’ Fees that may be requested by Class Counsel and Named Plaintiffs’ Compensation are finally approved by the Court and Notice Costs deducted from the Total Settlement Amount equal \$75,000, you will receive \$_____ as a Qualified Settlement Benefit paid by the Plan. You will receive a higher payment, proportionately determined, in the event that (1) less than the maximum Class Counsel’s Attorneys’ Fees are sought and/or approved; (2) less than the maximum Named Plaintiffs’ Compensation is sought and/or approved; and/or (3) actual notice costs are less than \$75,000. If you are entitled to such a higher payment, and that payment exceeds the maximum Qualified Settlement Benefit payable to you by the Plan, the balance will be paid to you as a Non-Qualified Settlement Benefit, less the Plan’s required Withholding for Federal Income Taxes.

D. Before your Qualified Settlement Benefit may be paid by the Plan, you must elect, by completing the last page of this Notice and returning it to the Plan [or its delegate], one of the following rollover/distribution options for your Qualified Settlement Benefit:

1. **Option 1 - Rollover:** A direct rollover of up to 100% of your Qualified Lump Sum Settlement Benefit to an individual retirement account (or “IRA”) or to another qualified plan that accepts rollovers that you designate in response to this Notice. If you elect to rollover less than 100% of your Qualified Lump Sum Settlement Benefit, the balance will be paid directly to you as a distribution, net of the Plan’s Withholding for Federal Income Tax.

2. **Option 2 – Direct Payment:** A direct payment to you of 100% of your Qualified Lump Sum Settlement Benefit. If you elect this distribution option, the funds, net of the Plan’s Withholding for Federal Income Taxes, will be distributed and sent directly to you.

ATTENTION—DEADLINE FOR MAKING ELECTION: To make a timely election, you must complete the information requested on the last page of this Notice and return that page, in the enclosed, postage pre-paid envelope, to _____ [Plan or its delegate] by _____ [5 days before the Fairness Hearing]. IF YOU DO NOT MAKE A TIMELY ELECTION, you will be deemed to have elected option two (“Direct Payment”) and your Qualified Lump Sum Settlement Benefit (net of the Plan’s Withholding for Federal Income Taxes) will be distributed and sent directly to you.

E. No opinion concerning the tax consequences of the Agreement to individual Class Members is being given or will be given by Defendant, Defendant's Counsel, or Class Counsel, nor is any representation or warranty in this regard made by virtue of this Agreement. Each Class Member's tax obligations, and the determination thereof, are the sole responsibility of the Class Member, and it is understood that the tax consequences may vary depending upon the particular circumstances of each individual Class Member.

4. **WAIVER, RELEASE, AND DISCHARGE**

PLEASE READ THIS SECTION CAREFULLY. IT CONTAINS IMPORTANT INFORMATION ABOUT A WAIVER OF YOUR RIGHTS AS A CLASS MEMBER IF THE SETTLEMENT AGREEMENT BECOMES FINAL.

If the Settlement Agreement is finally approved by the Court and becomes final for all purposes, as a Class Member, individually and on behalf of anyone acting on behalf of or for the benefit of Plaintiffs or Class Members, including, but not limited to, agents, attorneys, predecessors, successors, insurers, administrators, heirs, executors and assigns (collectively, "Releasors"), you will be deemed to have, and by operation of the judgment shall have, **FOREVER WAIVED YOUR RIGHTS AGAINST THE PLAN, AT&T INC., AND THE AT&T NON-QUALIFIED PLAN (collectively, the "Releasees") as follows:**

A. Releasors shall release, acquit, and forever discharge the Releasees from any and all past, present, and future causes of action, claims, damages, awards, equitable, legal, and administrative relief, interest, demands, or rights that are based upon, related to, or connected with, directly or indirectly, in whole or in part, the allegations, facts, subjects, or issues that have been, could have been, may be, or could be set forth or raised in this Lawsuit, or that concern or relate in any way to the EGB or the EPR Program, except as provided in the following sentence. Notwithstanding the foregoing, Releasors do not release, acquit, or discharge any claims that they, or the putative class representatives seeking to represent any of the Releasors, have asserted in *Parsons, et al. v. AT&T Pension Benefit Plan, et al.*, 06-CV-552 (D. Conn.) (CFD); **the Releasors also do not release, acquit, or discharge any individual claim of any Class Member concerning the calculation of his EGB, other than the claims actually asserted in this Lawsuit, that, as of [date of Fairness Hearing], was or will be filed with the Plan in writing as a claim under the Plan.**

B. Releasors, without limitation, are precluded and estopped from bringing in the future any claim or cause of action released in the preceding subparagraph.

C. Releasors acknowledge that they are releasing both known and unknown and suspected and unsuspected claims and causes of action, and are aware that they may hereafter discover legal or equitable claims or remedies presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true with respect to the allegations and subject matters in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program. Nevertheless, it is the intention of Releasors to fully, finally, and forever settle and release all such matters, and all claims and causes of action relating thereto which

exist, hereafter may exist, or might have existed (whether or not previously or currently asserted in this Lawsuit).

D. Releasors expressly acknowledge certain principles of law applicable in some states, such as Section 1542 of the Civil Code of the State of California, which provide that a general release does not extend to claims that a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor. Notwithstanding the choice of law provision in the Agreement, to the extent that California or other law may be applicable and enforceable, Releasors hereby agree that the provisions of Section 1542 of the Civil Code of the State of California and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction that may be applicable here, are hereby knowingly and voluntarily waived and relinquished by Releasors, and Releasors agree and acknowledge that this provision is an essential term of the Agreement and this Release.

E. Releasors further agree that no third-party shall bring any Released Claims on behalf of any Releasor against any Releasee. Should any third-party do so, Releasors shall take all necessary action to secure the dismissal with prejudice of any such claim.

F. Nothing in this Release shall be deemed to release a Class Member's right to assert any claims or causes of action that arise from acts, facts, or circumstances arising exclusively after the entry of the Final Order and Judgment, or preclude any action to enforce the terms of this Agreement.

G. This Release may be raised as a complete defense to and will preclude any action or proceeding that is encompassed by this Release. The Parties intend that the terms of the release provided by this Agreement are to be broadly construed in favor of the Releasees and in favor of the complete resolution of all claims that were actually raised or that could have been raised in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program as described in subparagraph A above.

5. **REPRESENTATION OF CLASS MEMBERS**

Class Members are represented by Plaintiffs and the following Class Counsel, attorneys appointed by the Court as Class Counsel under Fed. R. Civ. P. 23(g) on September 21, 2005:

Class Counsel:

Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
255 S. 17th Street, Suite 1307
Philadelphia, PA 19103
Tel: 1-866-571-7084 (toll free)

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

If the Court finally approves the Settlement and it becomes final for all purposes, you will be bound by all the provisions of the Settlement and all determinations and judgments in this Lawsuit, including the Final Order and Judgment dismissing the Lawsuit with prejudice. No Class Member may opt-out of the Settlement. If you wish to object to the Agreement, to Class Counsel's application for Attorneys' Fees, or Named Plaintiffs' Compensation, you must present your objections by following the instructions in Section 6 below.

6. OBJECTIONS TO THE SETTLEMENT AND THE FAIRNESS HEARING

At the _____, 2008 Fairness Hearing, the Court will determine whether to finally approve the Agreement and dismiss the Lawsuit and the claims of the Class Members with prejudice. Any Class Member may appear at the Fairness Hearing, in person or by counsel of his own choice at his own expense, and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness, and adequacy of the Settlement, the application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to the Named Plaintiffs' Compensation. **However, in no event shall any person be heard in opposition to the Settlement, the application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to Named Plaintiffs' Compensation unless, on or before _____, such person files with the Clerk of the Court a notice of an intention to appear and provides a written statement that indicates all bases for objection, all documentation in support of the objection, and legal authority, if any, supporting the objection.** Copies of such notice, statement, and documentation, together with copies of any other papers or briefs filed with the Court, must be simultaneously delivered to the following:

Class Counsel:

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

Defendant's Counsel:

John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760
Tel: 713.758.2124
Fax: 713.615.5307
jcarter@velaw.com

Any Class Member who does not object in the foregoing manner shall be deemed to have waived all objections and shall be foreclosed from making any objections to the Settlement. The Court has reserved the right to adjourn and/or reset the Fairness Hearing without further notice of any kind; therefore, any Class Member intending to attend the Fairness Hearing should (in addition to complying with all instructions and requirements above) confirm the date, time, and location of the Fairness Hearing with Class Counsel.

7. CONFIRMATION OF COMPLETENESS OF PLAN PARTICIPANT LIST

Based on the Plan's review of its records, the Parties believe that there are 3,801 Plan Participants who are members of the Class in this case, in addition to their estates, beneficiaries, and alternate payees. An alphabetical list of the names of all of those Plan Participants can be reviewed on the following webpage: _____. The password to gain access to this read-only site is the Plan Participant's date of birth in the form mmddyyyy followed by the first three digits of the Plan Participant's social security number. Pop-ups must be allowed on your computer to view this list. If, after reviewing the Plan Participant List, you believe there are other persons not included on the List who received the EGB under the EPR Program, please immediately contact Class Counsel by telephone or e-mail. **The Parties believe that only persons who retired from the former Southwestern Bell Telephone region as a manager and received the EGB under the EPR Program are members of the Class. Accordingly, retirees from Ameritech, Pacific Telesis Group, and Southern New England Telephone, their estates, beneficiaries, and alternate payees, are not included in the Class even if they retired under the EPR Program and, therefore, these Participants are not included on the Plan Participant List.**

8. NO NEED TO DO ANYTHING TO PARTICIPATE IN SETTLEMENT

You do not need to do anything to participate in the Settlement. The Parties strongly recommend, however, that you fill out the attached Election Form and return it to the Plan using the enclosed self-addressed postage pre-paid envelope to assure that you receive your payment at the address and in the manner that you wish to receive it. If you neglect to fill out the form, you will receive a direct payment of your Settlement Benefit, net of withheld taxes, at the address to which this notice was directed.

9. **FURTHER INFORMATION**

More detailed information about this Lawsuit may be obtained, including the key pleadings and filings of the Parties, the Orders and rulings entered by the Court, and the Settlement Agreement at the following website, www.EPRClassAction.com, by requesting them from Class Counsel, by inspecting all the papers concerning this Lawsuit at the Office of the Clerk, United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001, during regular business hours, or by registering and paying a modest fee to the PACER service, <http://pacer.psc.uscourts.gov/>, which permits inspection of the papers filed in the case online.

ALL INQUIRIES CONCERNING THIS NOTICE SHALL BE DIRECTED TO CLASS COUNSEL, NOT THE COURT.

Dated: _____, 2008.

Royce C. Lamberth
Chief Judge, United States District Court

[NAME'S] ELECTION OF ROLLOVER/DIRECT PAYMENT OF QUALIFIED SETTLEMENT BENEFIT

Before your Qualified Settlement Benefit will be paid by the Plan you must select, by placing a ✓ next to one of the following options, either the rollover or direct payment of your Qualified Settlement Benefit.

____ 1. **Rollover:** I elect a direct rollover of up to ____% (maximum of 100%) of my Qualified Settlement Benefit, paid to the following account (either an IRA or another qualified plan):

[Include the name of your account; the account number; and the name of the institution holding that account for you.]

If you elect to rollover less than 100% of your Qualified Settlement Benefit, the balance will be paid directly to you as a distribution, net of the Plan's Withholding for Federal Income Tax.

____ 2. **Direct Payment:** I elect a direct payment to me of 100% of my Qualified Settlement Benefit, which should be sent by check to the following address:

If you elect this distribution option, the funds, net of the Plan's Withholding for Federal Income Taxes, will be distributed and sent directly to you. **To make a timely election of either option 1 or 2, you must sign where indicated below and return a copy of this page in the enclosed, postage pre-paid envelope, to _____ [Plan or its delegate] by _____ [5 days before the Fairness Hearing].**

Print Name:
Date:
Contact Telephone Number:
Address:
DOB:

QUALIFIED NOTICE (ANNUITY)

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

MARIAN R. WAGENER and §
DONALD F. CHAMPOUX, *et al.* §
§
Plaintiffs § C.A. No. 1:03CV00769 (RCL)
v. §
§
SBC PENSION BENEFIT PLAN—NON §
BARGAINED PROGRAM §
§
Defendant. §

**NOTICE OF PENDENCY AND SETTLEMENT OF CLASS ACTION AND HEARING
ON SETTLEMENT OF CLASS ACTION**

TO: [Each Known Class Member receiving a Qualified Annuity Benefit under the Settlement Agreement]

PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF A CLASS ACTION LAWSUIT AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS.

1. **NOTICE OF CLASS ACTION AND THE COURT'S PRELIMINARY APPROVAL OF SETTLEMENT**

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure, and an Order of the United States District Court for the District of Columbia (the "Court"), that an agreement to settle ("Settlement Agreement" or "Agreement") the above-captioned matter (the "Lawsuit") has been made and entered into by and among Plaintiffs Marian R. Wagener and Donald F. Champoux ("Plaintiffs") individually and on behalf of the Class (as defined below) that they represent, and Defendant SBC Pension Benefit Plan—Non Bargained Program ("Defendant" or "Plan"). THE PURPOSE OF THIS NOTICE is to inform the Class Members of (i) a proposed settlement of the Lawsuit between the Class Members and Defendant; and (ii) a hearing (the "Fairness Hearing") to be held before the Honorable Royce C. Lamberth at the United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001 on _____, 2008 at _____. The Fairness Hearing will determine (i) whether the Court should grant final approval of the Agreement; (ii) whether the Court should enter final judgment dismissing the Lawsuit with prejudice; (iii) if the Court approves the Agreement and enters a final judgment, the amount of attorneys' fees, costs, and expenses to be awarded by the Court to Class Counsel ("Class Counsel's Attorneys' Fees"); and (iv) the amount of compensation to be paid to the two Named Plaintiffs for their contributions to the Class.

On _____, 2008, the Court issued an Order granting Preliminary Approval of the Settlement Agreement, preliminarily finding that the terms of the Agreement are fair, reasonable, and adequate; approving the forms and methods of Notice to the Class Members; and scheduling the Fairness Hearing. This notice is merely a summary of the terms of the Agreement, and you should refer to the Settlement Agreement for the complete terms of the Agreement. This Notice uses certain capitalized terms that are defined in the Settlement Agreement.

THIS NOTICE IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, AN EXPRESSION OF ANY OPINION BY A COURT AS TO THE TRUTH OR FALSITY OF THE ALLEGATIONS IN THE LITIGATION OR THE MERITS OF THE CLAIMS OR DEFENSES ASSERTED.

2. DESCRIPTION OF THE ACTION AND REASONS FOR SETTLEMENT

A. On March 27, 2003, Named Plaintiffs filed suit against the Plan under the Employee Retirement Income Security Act ("ERISA"). The Named Plaintiffs, on behalf of a class of Plan participants who received an enhanced pension benefit from the Plan under the Enhanced Pension and Retirement Program ("EPR Program"), alleged that the Plan improperly calculated the benefits due under the EPR Program and wrongfully denied Named Plaintiffs' claims for additional pension benefits. Named Plaintiffs contended that the Plan improperly computed Pension Compensation for purposes of calculating the Enhanced Grandfathered Benefit ("EGB") under the EPR Program of the Plan. Plaintiffs alleged that the Plan improperly excluded pay for certain work performed from the computation of Average Annual Compensation, a component of the EGB calculation, during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

B. Prior to filing the Lawsuit, Plaintiffs pursued, under the Plan's terms, an administrative claim for additional benefits with the Plan's Benefit Plan Committee ("BPC"), the Plan entity responsible for determining benefits and interpreting the Plan. Plaintiffs complained that the Plan's determination that pay received by Plaintiffs after the end of the Averaging Period should be excluded from the computation of Average Annual Compensation for the EGB violated the Plan's terms. The BPC denied Plaintiffs' administrative claim for additional benefits. Defendant contends that the BPC denied Plaintiffs' claims on appeal after due consideration because (a) Plan amendments required the use of a participant's actual base pay rather than basic rate of pay in computing Average Annual Compensation; and (b) the BPC determined that, under the actual base pay amendments, only pay actually received during the Averaging Period was included in the calculation of a participant's Average Annual Compensation for the EGB. Defendant contends that the BPC thus concluded that the Plan had properly calculated Plaintiffs' EGB because the Plan's terms required that the pay Plaintiffs received after the end of the Averaging Period be excluded from the calculation of Average Annual Compensation for the EGB.

C. The Plan moved to dismiss Plaintiffs' Complaint for failure to state a claim. The Plan contended that, because of the discretion granted to the BPC under the Plan to determine benefits and construe the Plan's terms, the BPC's interpretation of the Plan is entitled to a

deferential standard of review by the Court and can be set aside only in the event that the decision was an abuse of discretion. The Plan contended that because the BPC's interpretation of the Plan and the actual base pay amendments was reasonable, its denial of Plaintiffs' claims for additional benefits was not an abuse of discretion and should therefore not be overturned by the Court.

D. On March 29, 2004, the Court granted the Plan's motion to dismiss Named Plaintiffs' claims and dismissed Named Plaintiffs' Complaint. The Court determined that the interpretation of the Plan and the Plan amendments advanced by the Plan as having been adopted by the BPC was "reasonable."

E. Named Plaintiffs appealed the dismissal of their Complaint. In *Wagener v. SBC Pension Benefit Plan—Non-Bargained Program*, 407 F.3d 395 (D.C. Cir. 2005), the D.C. Circuit Court of Appeals reversed the district court's order dismissing the Lawsuit and remanded the case to the District Court. The Parties have disputed the appropriate scope of the remand. Defendant contends that the remand was for the limited purpose of determining (1) whether the interpretation of 'actual base pay' rendered by the BPC "or other Plan fiduciaries with responsibility for construing and administering the Plan" was consistent with the Plan's "equal treatment clause" contained in the Plan amendment defining the EPR Program; and (2) whether the BPC operated under a conflict of interest at the time it made its decisions. Plaintiffs contend that the District Court may consider on remand any matter germane to whether the denial of benefits violated the terms of the Plan.

F. On August 11, 2005, the Plan filed its Answer to Plaintiffs' Class Action Complaint. The Plan denied all wrongdoing and asserted, among other things, that (i) Plaintiffs failed to state a claim under ERISA; (ii) Plaintiffs had no viable claim for additional benefits because the BPC's interpretation of the Plan was consistent with its express terms which have been consistently applied to all similarly situated Plan participants and beneficiaries; and (iii) Plaintiffs' claims were barred by the applicable statute of limitations.

G. On September 21, 2005, the Court certified a mandatory Class under Fed. R. Civ. P. 23(b)(1)(A), 23(b)(1)(B), and 23(b)(2), of all persons or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the EGB under the EPR program of the Plan was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

H. The Parties engaged in substantial discovery with respect to Plaintiffs' claims, including depositions, interrogatories, requests for admissions, and the exchange of a substantial number of documents. Defendant disputes the Named Plaintiffs' claims in the Lawsuit. Defendant has denied, and continues to deny, any liability to the Named Plaintiffs or to any Class Member.

I. On March 26, 2007, Plaintiffs filed a First Amended Complaint alleging, *inter alia*, that the determination to deny Plaintiffs' claims was in fact made by SBC rather than the BPC, that the denial was motivated by SBC's financial interest, and that the actual rationale

employed by the BPC in denying Plaintiffs' appeals differed from the rationale advanced as reasonable by Defendant in the instant litigation. On May 11, 2007, Defendant filed its Answer to the Amended Complaint denying these allegations. Thereafter, Plaintiffs conducted additional discovery on their allegations. While discovery was ongoing, the Parties reached agreement on the terms of Settlement.

J. The Parties believe in the merits of their respective positions. However, to avoid the expense, inconvenience, and distractions of burdensome, protracted litigation; to obtain the benefits, releases, orders, and judgments contemplated by the Settlement Agreement; and to resolve finally and fairly all claims, known and unknown, that have been or might be asserted by Plaintiffs or Class Members against Defendant, AT&T, or the AT&T Non-Qualified Plan relating to the EGB or the EPR Program, the Parties entered into the Agreement. For these reasons, the Plan determined that settling this Lawsuit in accordance with the terms and conditions of the Agreement is in the best interests of all Plan participants. Likewise, Plaintiffs and their counsel extensively investigated and evaluated their claims and the Plan's available defenses and, considering the benefits promised by the Agreement and the costs and uncertainty of establishing a right to recovery, have concluded, after extensive negotiations over the terms of the Agreement, that the Agreement is fair, reasonable, and adequate and in the best interests of the Class Members.

3. DESCRIPTION OF THE SETTLEMENT BENEFITS

The following is a description of the Settlement of this Lawsuit and the Qualified Settlement Benefit you will receive under the Agreement if the Agreement and the amount of Class Counsel's Attorneys' Fees and Named Plaintiffs' Compensation are finally approved by the Court in an order and judgment that becomes final and binding for all purposes:

A. TOTAL SETTLEMENT AMOUNT AND NET SETTLEMENT BENEFIT

The Total Settlement Amount to be paid either by the Plan or under the AT&T Non-Qualified Plan is \$16,000,000. The Net Settlement Benefit available for payment to Plan Participants (or Class Members claiming by, through, or under a Plan Participant) is the Total Settlement Amount (\$16,000,000) *less* (1) Class Counsel's Attorneys' Fees; (2) Named Plaintiffs' Compensation approved by the Court; and (3) the Total Notice Costs. (1) The Court will determine the amount of Class Counsel's Attorneys' Fees in accordance with Fed. R. Civ. P. 23(h), but Class Counsel has agreed not to seek an award of fees (inclusive of costs and expenses) in excess of 30% of the Total Settlement Amount, *i.e.*, \$4.8 million. (2) The Court will also determine the Named Plaintiffs' Compensation (if any), but Named Plaintiffs (Marian R. Wagener and Donald F. Champoux) have agreed not to seek compensation for their services to the Class from the Total Settlement Amount in excess of \$3,000 each. (3) Total Notice Costs will not exceed \$75,000.

B. DETERMINATION OF CLASS MEMBERS' SETTLEMENT BENEFIT

The amount of each Plan Participant's Settlement Benefit (or the Settlement Benefit of a Class Member claiming by, through, or under a Plan Participant) will be calculated by

multiplying the Net Settlement Benefit (*see paragraph 3A* above—\$16,000,000 less Class Counsel’s Attorneys’ Fees, Named Plaintiffs’ Compensation, and the Total Notice Costs) **by the ratio that a Plan Participant’s estimated EPR Lump Sum Benefit, calculated by the Plan in September 2001, bears to the sum of the EPR Lump Sum Benefits estimated by the Plan in September 2001 to be paid to all Plan Participants.** Each Class Member’s Settlement Benefit shall be paid, to the greatest extent possible, from the Plan as a Qualified Settlement Benefit. If all or a portion of a Class Member’s Settlement Benefit cannot be paid from the Plan as a Qualified Settlement Benefit, the AT&T Non-Qualified Plan shall pay the amount as a Non-Qualified Settlement Benefit.

C. Because you are receiving this Notice, if the Settlement Agreement is finally approved by the Court and becomes final for all purposes, you will receive a Qualified Settlement Benefit under the Agreement. Because you received your initial EGB in the form of a qualified annuity, you will receive an enhancement to your current annuity in the amount of your Settlement Benefit as actuarially determined by the Plan or its delegate **UNLESS you affirmatively and timely elect either the rollover or direct payment option described below.** If the maximum permitted Class Counsel’s Attorneys’ Fees that may be requested by Class Counsel and Named Plaintiffs’ Compensation are finally approved by the Court and Notice Costs deducted from the Total Settlement Amount equal \$75,000, you will receive, as an enhancement to your current annuity, \$____ per month for the remainder of the term of your current annuity **UNLESS you make a timely and affirmative election to receive a rollover or direct payment of your Settlement Benefit as explained below.** You will receive a higher payment, proportionately determined, in the event that (1) less than the maximum Class Counsel’s Attorneys’ Fees are sought and/or approved; (2) less than the maximum Named Plaintiffs’ Compensation is sought and/or approved; and/or (3) actual notice costs are less than \$75,000. If you are entitled to such a higher payment, and that payment exceeds the maximum Qualified Settlement Benefit payable to you by the Plan as an annuity, the balance will be paid to you as a Non-Qualified Settlement Benefit, less the Plan’s required Withholding for Federal Income Taxes.

D. If you elect not to receive an enhancement to your qualified annuity in the amount of your Settlement Benefit as actuarially determined by the Plan or its delegate, you must elect, by completing the last page of this Notice and returning it to the Plan [or its delegate], one of the following rollover/direct payment options for your Qualified Lump Sum Settlement Benefit, equal to \$____, if the maximum permitted Class Counsel’s Attorneys’ Fees that may be requested by Class Counsel and Named Plaintiffs’ Compensation are finally approved by the Court and Notice Costs deducted from the Total Settlement Amount equal \$75,000:¹

¹ You will receive a higher payment, proportionately determined, in the event that (1) less than the maximum Class Counsel’s Attorneys’ Fees are sought and/or approved; (2) less than the maximum Named Plaintiffs’ Compensation is sought and/or approved; and/or (3) actual notice costs are less than \$75,000. If you are entitled to such a higher payment, and that payment exceeds the maximum Qualified Settlement Benefit payable to you by the Plan, the balance will be paid to you as a Non-Qualified Settlement Benefit, less the Plan’s required Withholding for Federal Income Taxes.

1. **Option 1 - Rollover:** A direct rollover of up to 100% of your Qualified Lump Sum Settlement Benefit to an individual retirement account (or "IRA") or to another qualified plan that accepts rollovers that you designate in response to this Notice. If you elect to rollover less than 100% of your Qualified Lump Sum Settlement Benefit, the balance will be paid directly to you as a distribution, net of the Plan's Withholding for Federal Income Tax.

2. **Option 2 – Direct Payment:** A direct payment to you of 100% of your Qualified Lump Sum Settlement Benefit. If you elect this distribution option, the funds, net of the Plan's Withholding for Federal Income Taxes, will be distributed and sent directly to you.

ATTENTION—DEADLINE FOR MAKING ELECTION: To make a timely election, you must complete the information requested on the last page of this Notice and return that page, in the enclosed, postage pre-paid envelope, to _____ [Plan or its delegate] by _____ [5 days before the Fairness Hearing]. IF YOU DO NOT MAKE A TIMELY ELECTION, you will receive an enhancement to your qualified annuity in the amount of your Settlement Benefit as actuarially determined by the Plan or its delegate.

Additionally, the Plan, if you elect either option 1 or 2, and before any of your Qualified Lump Sum Settlement Benefit will be rolled over or distributed to you, will require that you complete a spousal consent form authorizing the payment of your Qualified Settlement Benefit in a lump sum, rather than in the form of an annuity. That form will be sent to you upon the Plan or its delegate's timely receipt of your election form. Your spouse must execute the spousal consent form and you must return an executed copy of it to the Plan or its delegate by _____.

E. No opinion concerning the tax consequences of the Agreement to individual Class Members is being given or will be given by Defendant, Defendant's Counsel, or Class Counsel, nor is any representation or warranty in this regard made by virtue of this Agreement. Each Class Member's tax obligations, and the determination thereof, are the sole responsibility of the Class Member, and it is understood that the tax consequences may vary depending upon the particular circumstances of each individual Class Member.

4. **WAIVER, RELEASE, AND DISCHARGE**

PLEASE READ THIS SECTION CAREFULLY. IT CONTAINS IMPORTANT INFORMATION ABOUT A WAIVER OF YOUR RIGHTS AS A CLASS MEMBER IF THE SETTLEMENT AGREEMENT BECOMES FINAL.

If the Settlement Agreement is finally approved by the Court and becomes final for all purposes, as a Class Member, individually and on behalf of anyone acting on behalf of or for the benefit of Plaintiffs or Class Members, including, but not limited to, agents, attorneys, predecessors, successors, insurers, administrators, heirs, executors and assigns (collectively, "Releasees"), you will be deemed to have, and by operation of the judgment shall have, **FOREVER WAIVED YOUR RIGHTS AGAINST THE PLAN, AT&T INC., AND THE AT&T NON-QUALIFIED PLAN** (collectively, the "Releasees") as follows:

A. Releasors shall release, acquit, and forever discharge the Releasees from any and all past, present, and future causes of action, claims, damages, awards, equitable, legal, and administrative relief, interest, demands, or rights that are based upon, related to, or connected with, directly or indirectly, in whole or in part, the allegations, facts, subjects, or issues that have been, could have been, may be, or could be set forth or raised in this Lawsuit, or that concern or relate in any way to the EGB or the EPR Program, except as provided in the following sentence. Notwithstanding the foregoing, Releasors do not release, acquit, or discharge any claims that they, or the putative class representatives seeking to represent any of the Releasors, have asserted in *Parsons, et al. v. AT&T Pension Benefit Plan, et al.*, 06-CV-552 (D. Conn.) (CFD); **the Releasors also do not release, acquit, or discharge any individual claim of any Class Member concerning the calculation of his EGB, other than the claims actually asserted in this Lawsuit, that, as of [date of Fairness Hearing], was or will be filed with the Plan in writing as a claim under the Plan.**

B. Releasors, without limitation, are precluded and estopped from bringing in the future any claim or cause of action released in the preceding subparagraph.

C. Releasors acknowledge that they are releasing both known and unknown and suspected and unsuspected claims and causes of action, and are aware that they may hereafter discover legal or equitable claims or remedies presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true with respect to the allegations and subject matters in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program. Nevertheless, it is the intention of Releasors to fully, finally, and forever settle and release all such matters, and all claims and causes of action relating thereto which exist, hereafter may exist, or might have existed (whether or not previously or currently asserted in this Lawsuit).

D. Releasors expressly acknowledge certain principles of law applicable in some states, such as Section 1542 of the Civil Code of the State of California, which provide that a general release does not extend to claims that a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor. Notwithstanding the choice of law provision in the Agreement, to the extent that California or other law may be applicable and enforceable, Releasors hereby agree that the provisions of Section 1542 of the Civil Code of the State of California and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction that may be applicable here, are hereby knowingly and voluntarily waived and relinquished by Releasors, and Releasors agree and acknowledge that this provision is an essential term of the Agreement and this Release.

E. Releasors further agree that no third-party shall bring any Released Claims on behalf of any Releasor against any Releasee. Should any third-party do so, Releasors shall take all necessary action to secure the dismissal with prejudice of any such claim.

F. Nothing in this Release shall be deemed to release a Class Member's right to assert any claims or causes of action that arise from acts, facts, or circumstances arising

exclusively after the entry of the Final Order and Judgment, or preclude any action to enforce the terms of this Agreement.

G. This Release may be raised as a complete defense to and will preclude any action or proceeding that is encompassed by this Release. The Parties intend that the terms of the release provided by this Agreement are to be broadly construed in favor of the Releasees and in favor of the complete resolution of all claims that were actually raised or that could have been raised in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program as described in subparagraph A above.

5. **REPRESENTATION OF CLASS MEMBERS**

Class Members are represented by Plaintiffs and the following Class Counsel, attorneys appointed by the Court as Class Counsel under Fed. R. Civ. P. 23(g) on September 21, 2005:

Class Counsel:

Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
225 S. 17th Street, Suite 1307
Philadelphia, PA 19103
Tel: 1-866-571-7084 (toll free)

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

If the Court finally approves the Settlement and it becomes final for all purposes, you will be bound by all the provisions of the Settlement and all determinations and judgments in this Lawsuit, including the Final Order and Judgment dismissing the Lawsuit with prejudice. No Class Member may opt-out of the Settlement. If you wish to object to the Agreement, to Class Counsel's application for Attorneys' Fees, or Named Plaintiffs' Compensation, you must present your objections by following the instructions in Section 6 below.

6. **OBJECTIONS TO THE SETTLEMENT AND THE FAIRNESS HEARING**

At the _____, 2008 Fairness Hearing, the Court will determine whether to finally approve the Agreement and dismiss the Lawsuit and the claims of the Class Members with prejudice. Any Class Member may appear at the Fairness Hearing, in person or by counsel of his own choice at his own expense, and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness, and adequacy of the Settlement, the application for an award of

attorneys' fees, costs, and expenses to Class Counsel, or to the Named Plaintiffs' Compensation. However, in no event shall any person be heard in opposition to the Settlement, the application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to Named Plaintiffs' Compensation unless, on or before _____, such person files with the Clerk of the Court a notice of an intention to appear and provides a written statement that indicates all bases for objection, all documentation in support of the objection, and legal authority, if any, supporting the objection. Copies of such notice, statement, and documentation, together with copies of any other papers or briefs filed with the Court, must be simultaneously delivered to the following:

Class Counsel:

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

Defendant's Counsel:

John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760
Tel: 713.758.2124
Fax: 713.615.5307
jcarter@velaw.com

Any Class Member who does not object in the foregoing manner shall be deemed to have waived all objections and shall be foreclosed from making any objections to the Settlement. The Court has reserved the right to adjourn and/or reset the Fairness Hearing without further notice of any kind; therefore, any Class Member intending to attend the Fairness Hearing should (in addition to complying with all instructions and requirements above) confirm the date, time, and location of the Fairness Hearing with Class Counsel.

7. **CONFIRMATION OF COMPLETENESS OF PLAN PARTICIPANT LIST**

Based on the Plan's review of its records, the Parties believe that there are 3,801 Plan Participants who are members of the Class in this case, in addition to their estates, beneficiaries, and alternate payees. An alphabetical list of the names of all of those Plan Participants can be reviewed on the following webpage: _____. The password to gain access to this read-only site is the Plan Participant's date of birth in the form mmddyyyy followed by the first three

digits of the Plan Participant's social security number. Pop-ups must be allowed on your computer to view this list. If, after reviewing the Plan Participant List, you believe there are other persons not included on the List who received the EGB under the EPR Program, please immediately contact Class Counsel by telephone or e-mail. **The Parties believe that only persons who retired from the former Southwestern Bell Telephone region as a manager and received the EGB under the EPR Program are members of the Class.** Accordingly, retirees from Ameritech, Pacific Telesis Group, and Southern New England Telephone, their estates, beneficiaries, and alternate payees, are not included in the Class even if they retired under the EPR Program and, therefore, these Participants are not included on the Plan Participant List.

8. **NO NEED TO DO ANYTHING TO PARTICIPATE IN SETTLEMENT**

You do not need to do anything to participate in the Settlement. The Parties strongly recommend, however, that you fill out the attached Election Form and return it to the Plan using the enclosed self-addressed postage pre-paid envelope to assure that you receive your payment at the address and in the manner that you wish to receive it. If you neglect to fill out the form, you will receive an enhancement to your qualified annuity in the amount of your Settlement Benefit as actuarially determined by the Plan or its delegate.

9. **FURTHER INFORMATION**

More detailed information about this Lawsuit may be obtained, including the key pleadings and filings of the Parties, the Orders and rulings entered by the Court, and the Settlement Agreement at the following website, www.EPRClassAction.com, by requesting them from Class Counsel, by inspecting all the papers concerning this Lawsuit at the Office of the Clerk, United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001, during regular business hours, or by registering and paying a modest fee to the PACER service, <http://pacer.psc.uscourts.gov/>, which permits inspection of the papers filed in the case online.

ALL INQUIRIES CONCERNING THIS NOTICE SHALL BE DIRECTED TO CLASS COUNSEL, NOT THE COURT.

Dated: _____, 2008.

Royce C. Lamberth
Chief Judge, United States District Court

[NAME'S] ELECTION OF ROLLOVER/DIRECT PAYMENT OF QUALIFIED SETTLEMENT BENEFIT

Before your Qualified Settlement Benefit will be paid by the Plan you must select, by placing a ✓ next to one of the following options, either the rollover or direct payment of your Qualified Settlement Benefit.

____ 1. **Rollover:** I elect a direct rollover of up to ____% (maximum of 100%) of my Qualified Settlement Benefit, paid to the following account (either an IRA or another qualified plan):

_____.

[Include the name of your account; the account number; and the name of the institution holding that account for you.]

If you elect to rollover less than 100% of your Qualified Settlement Benefit, the balance will be paid directly to you as a distribution, net of the Plan's Withholding for Federal Income Tax.

____ 2. **Direct Payment:** I elect a direct payment to me of 100% of my Qualified Settlement Benefit, which should be sent by check to the following address:

If you elect this distribution option, the funds, net of the Plan's Withholding for Federal Income Taxes, will be distributed and sent directly to you. **To make a timely election of either option 1 or 2, you must sign where indicated below and return a copy of this page in the enclosed, postage pre-paid envelope, to _____ [Plan or its delegate] by _____ [5 days before the Fairness Hearing]. You will also be required, before the Plan pays you your Qualified Settlement Benefit, to execute and return to the Plan, a form providing spousal consent to the payment of your Qualified Settlement Benefit in the form of a lump sum. That form will be sent to you upon the Plan or its delegate's timely receipt of your election form. Your spouse must execute the spousal consent form and you must return an executed copy of it to the Plan or its delegate by _____.**

Print Name:
Date:
Contact Telephone Number:
DOB:
Address:

EXHIBIT C

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

MARIAN R. WAGENER and §
DONALD F. CHAMPOUX, *et al.* §
§
Plaintiffs § C.A. No. 1:03CV00769 (RCL)
v. §
§
SBC PENSION BENEFIT PLAN—NON §
BARGAINED PROGRAM §
§
Defendant. §

**NOTICE OF PENDENCY AND SETTLEMENT OF CLASS ACTION AND HEARING
ON SETTLEMENT OF CLASS ACTION**

TO: [Each Known Class Member receiving a Non-Qualified Settlement Benefit under the Settlement Agreement]

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1. **NOTICE OF CLASS ACTION AND THE COURT'S PRELIMINARY APPROVAL OF SETTLEMENT**

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure, and an Order of the United States District Court for the District of Columbia (the "Court"), that an agreement to settle ("Settlement Agreement" or "Agreement") the above-captioned matter (the "Lawsuit") has been made and entered into by and among Plaintiffs Marian R. Wagener and Donald F. Champoux ("Plaintiffs") individually and on behalf of the Class (as defined below) that they represent, and Defendant SBC Pension Benefit Plan—Non Bargained Program ("Defendant" or "Plan"). THE PURPOSE OF THIS NOTICE is to inform the Class Members of (i) a proposed settlement of the Lawsuit between the Class Members and Defendant; and (ii) a hearing (the "Fairness Hearing") to be held before the Honorable Royce C. Lamberth at the United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001 on _____, 2008 at _____. The Fairness Hearing will determine (i) whether the Court should grant final approval of the Agreement; (ii) whether the Court should enter final judgment dismissing the Lawsuit with prejudice; (iii) if the Court approves the Agreement and enters a final judgment, the amount of attorneys' fees, costs, and expenses to be awarded by the Court to Class Counsel ("Class Counsel's Attorneys' Fees"); and (iv) the amount of compensation to be paid to the two Named Plaintiffs for their contributions to the Class.

On _____, 2008, the Court issued an Order granting Preliminary Approval of the Settlement Agreement, preliminarily finding that the terms of the Agreement are fair, reasonable, and adequate; approving the forms and methods of Notice to the Class Members; and scheduling the Fairness Hearing. This notice is merely a summary of the terms of the Agreement, and you should refer to the Settlement Agreement for the complete terms of the Agreement. This Notice uses certain capitalized terms that are defined in the Settlement Agreement.

THIS NOTICE IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, AN EXPRESSION OF ANY OPINION BY A COURT AS TO THE TRUTH OR FALSITY OF THE ALLEGATIONS IN THE LITIGATION OR THE MERITS OF THE CLAIMS OR DEFENSES ASSERTED.

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A. On March 27, 2003, Named Plaintiffs filed suit against the Plan under the Employee Retirement Income Security Act ("ERISA"). The Named Plaintiffs, on behalf of a class of Plan participants who received an enhanced pension benefit from the Plan under the Enhanced Pension and Retirement Program ("EPR Program"), alleged that the Plan improperly calculated the benefits due under the EPR Program and wrongfully denied Named Plaintiffs' claims for additional pension benefits. Named Plaintiffs contended that the Plan improperly computed Pension Compensation for purposes of calculating the Enhanced Grandfathered Benefit ("EGB") under the EPR Program of the Plan. Plaintiffs alleged that the Plan improperly excluded pay for certain work performed from the computation of Average Annual Compensation, a component of the EGB calculation, during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

B. Prior to filing the Lawsuit, Plaintiffs pursued, under the Plan's terms, an administrative claim for additional benefits with the Plan's Benefit Plan Committee ("BPC"), the Plan entity responsible for determining benefits and interpreting the Plan. Plaintiffs complained that the Plan's determination that pay received by Plaintiffs after the end of the Averaging Period should be excluded from the computation of Average Annual Compensation for the EGB violated the Plan's terms. The BPC denied Plaintiffs' administrative claim for additional benefits. Defendant contends that the BPC denied Plaintiffs' claims on appeal after due consideration because (a) Plan amendments required the use of a participant's actual base pay rather than basic rate of pay in computing Average Annual Compensation; and (b) the BPC determined that, under the actual base pay amendments, only pay actually received during the Averaging Period was included in the calculation of a participant's Average Annual Compensation for the EGB. Defendant contends that the BPC thus concluded that the Plan had properly calculated Plaintiffs' EGB because the Plan's terms required that the pay Plaintiffs received after the end of the Averaging Period be excluded from the calculation of Average Annual Compensation for the EGB.

C. The Plan moved to dismiss Plaintiffs' Complaint for failure to state a claim. The Plan contended that, because of the discretion granted to the BPC under the Plan to determine benefits and construe the Plan's terms, the BPC's interpretation of the Plan is entitled to a

deferential standard of review by the Court and can be set aside only in the event that the decision was an abuse of discretion. The Plan contended that because the BPC's interpretation of the Plan and the actual base pay amendments was reasonable, its denial of Plaintiffs' claims for additional benefits was not an abuse of discretion and should therefore not be overturned by the Court.

D. On March 29, 2004, the Court granted the Plan's motion to dismiss Named Plaintiffs' claims and dismissed Named Plaintiffs' Complaint. The Court determined that the interpretation of the Plan and the Plan amendments advanced by the Plan as having been adopted by the BPC was "reasonable."

E. Named Plaintiffs appealed the dismissal of their Complaint. In *Wagener v. SBC Pension Benefit Plan—Non-Bargained Program*, 407 F.3d 395 (D.C. Cir. 2005), the D.C. Circuit Court of Appeals reversed the district court's order dismissing the Lawsuit and remanded the case to the District Court. The Parties have disputed the appropriate scope of the remand. Defendant contends that the remand was for the limited purpose of determining (1) whether the interpretation of 'actual base pay' rendered by the BPC "or other Plan fiduciaries with responsibility for construing and administering the Plan" was consistent with the Plan's "equal treatment clause" contained in the Plan amendment defining the EPR Program; and (2) whether the BPC operated under a conflict of interest at the time it made its decisions. Plaintiffs contend that the District Court may consider on remand any matter germane to whether the denial of benefits violated the terms of the Plan.

F. On August 11, 2005, the Plan filed its Answer to Plaintiffs' Class Action Complaint. The Plan denied all wrongdoing and asserted, among other things, that (i) Plaintiffs failed to state a claim under ERISA; (ii) Plaintiffs had no viable claim for additional benefits because the BPC's interpretation of the Plan was consistent with its express terms which have been consistently applied to all similarly situated Plan participants and beneficiaries; and (iii) Plaintiffs' claims were barred by the applicable statute of limitations.

G. On September 21, 2005, the Court certified a mandatory Class under Fed. R. Civ. P. 23(b)(1)(A), 23(b)(1)(B), and 23(b)(2), of all persons or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the EGB under the EPR program of the Plan was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

H. The Parties engaged in substantial discovery with respect to Plaintiffs' claims, including depositions, interrogatories, requests for admissions, and the exchange of a substantial number of documents. Defendant disputes the Named Plaintiffs' claims in the Lawsuit. Defendant has denied, and continues to deny, any liability to the Named Plaintiffs or to any Class Member.

I. On March 26, 2007, Plaintiffs filed a First Amended Complaint alleging, *inter alia*, that the determination to deny Plaintiffs' claims was in fact made by SBC rather than the BPC, that the denial was motivated by SBC's financial interest, and that the actual rationale

employed by the BPC in denying Plaintiffs' appeals differed from the rationale advanced as reasonable by Defendant in the instant litigation. On May 11, 2007, Defendant filed its Answer to the Amended Complaint denying these allegations. Thereafter, Plaintiffs conducted additional discovery on their allegations. While discovery was ongoing, the Parties reached agreement on the terms of Settlement.

J. The Parties believe in the merits of their respective positions. However, to avoid the expense, inconvenience, and distractions of burdensome, protracted litigation; to obtain the benefits, releases, orders, and judgments contemplated by the Settlement Agreement; and to resolve finally and fairly all claims, known and unknown, that have been or might be asserted by Plaintiffs or Class Members against Defendant, AT&T, or the AT&T Non-Qualified Plan relating to the EGB or the EPR Program, the Parties entered into the Agreement. For these reasons, the Plan determined that settling this Lawsuit in accordance with the terms and conditions of the Agreement is in the best interests of all Plan participants. Likewise, Plaintiffs and their counsel extensively investigated and evaluated their claims and the Plan's available defenses and, considering the benefits promised by the Agreement and the costs and uncertainty of establishing a right to recovery, have concluded, after extensive negotiations over the terms of the Agreement, that the Agreement is fair, reasonable, and adequate and in the best interests of the Class Members.

3. DESCRIPTION OF THE SETTLEMENT BENEFITS

The following is a description of the Settlement of this Lawsuit and the Non-Qualified Settlement Benefit you will receive under the Agreement if the Agreement and the amount of Class Counsel's Attorneys' Fees and Named Plaintiffs' Compensation are finally approved by the Court in an order and judgment that becomes final and binding for all purposes:

A. TOTAL SETTLEMENT AMOUNT AND NET SETTLEMENT BENEFIT

The Total Settlement Amount to be paid either by the Plan or under the AT&T Non-Qualified Plan is \$16,000,000. The Net Settlement Benefit available for payment to Plan Participants (or Class Members claiming by, through, or under a Plan Participant) is the Total Settlement Amount (\$16,000,000) *less* (1) Class Counsel's Attorneys' Fees; (2) Named Plaintiffs' Compensation approved by the Court; and (3) the Total Notice Costs. (1) The Court will determine the amount of Class Counsel's Attorneys' Fees in accordance with Fed. R. Civ. P. 23(h), but Class Counsel has agreed not to seek an award of fees (inclusive of costs and expenses) in excess of 30% of the Total Settlement Amount, *i.e.*, \$4.8 million. (2) The Court will also determine the Named Plaintiffs' Compensation (if any), but Named Plaintiffs (Marian R. Wagener and Donald F. Champoux) have agreed not to seek compensation for their services to the Class from the Total Settlement Amount in excess of \$3,000 each. (3) Total Notice Costs will not exceed \$75,000.

B. DETERMINATION OF CLASS MEMBERS' SETTLEMENT BENEFIT

The amount of each Plan Participant's Settlement Benefit (or the Settlement Benefit of a Class Member claiming by, through, or under a Plan Participant) will be calculated by

multiplying the Net Settlement Benefit (*see paragraph 3A* above—\$16,000,000 less Class Counsel’s Attorneys’ Fees, Named Plaintiffs’ Compensation, and the Total Notice Costs) **by the ratio that a Plan Participant’s estimated EPR Lump Sum Benefit, calculated by the Plan in September 2001, bears to the sum of the EPR Lump Sum Benefits estimated by the Plan in September 2001 to be paid to all Plan Participants.** Each Class Member’s Settlement Benefit shall be paid, to the greatest extent possible, from the Plan as a Qualified Settlement Benefit. If all or a portion of a Class Member’s Settlement Benefit cannot be paid from the Plan as a Qualified Settlement Benefit, the AT&T Non-Qualified Plan shall pay the amount as a Non-Qualified Settlement Benefit.

C. **Because you are receiving this Notice, if the Settlement Agreement is finally approved by the Court and becomes final for all purposes, you will receive a Non-Qualified Settlement Benefit under the Agreement.** If the maximum permitted Class Counsel’s Attorneys’ Fees that may be requested by Class Counsel and Named Plaintiffs’ Compensation are finally approved by the Court and Notice Costs deducted from the Total Settlement Amount equal \$75,000, you will receive \$_____ as a Non-Qualified Settlement Benefit. That amount, less the Plan’s required Withholding for Federal Income Taxes, will be paid directly to you by check once a judgment in this Lawsuit has become final. You will receive a higher payment, proportionately determined, in the event that (1) less than the maximum Class Counsel’s Attorneys’ Fees are sought and/or approved; (2) less than the maximum Named Plaintiffs’ Compensation is sought and/or approved; and/or (3) actual notice costs are less than \$75,000.

D. No opinion concerning the tax consequences of the Agreement to individual Class Members is being given or will be given by Defendant, Defendant’s Counsel, or Class Counsel, nor is any representation or warranty in this regard made by virtue of this Agreement. Each Class Member’s tax obligations, and the determination thereof, are the sole responsibility of the Class Member, and it is understood that the tax consequences may vary depending upon the particular circumstances of each individual Class Member.

4. **WAIVER, RELEASE, AND DISCHARGE**

PLEASE READ THIS SECTION CAREFULLY. IT CONTAINS IMPORTANT INFORMATION ABOUT A WAIVER OF YOUR RIGHTS AS A CLASS MEMBER IF THE SETTLEMENT AGREEMENT BECOMES FINAL.

If the Settlement Agreement is finally approved by the Court and becomes final for all purposes, as a Class Member, individually and on behalf of anyone acting on behalf of or for the benefit of Plaintiffs or Class Members, including, but not limited to, agents, attorneys, predecessors, successors, insurers, administrators, heirs, executors and assigns (collectively, “Releasors”), you will be deemed to have, and by operation of the judgment shall have, **FOREVER WAIVED YOUR RIGHTS AGAINST THE PLAN, AT&T INC., AND THE AT&T NON-QUALIFIED PLAN** (collectively, the “Releasees”) as follows:

A. Releasors shall release, acquit, and forever discharge the Releasees from any and all past, present, and future causes of action, claims, damages, awards, equitable, legal, and administrative relief, interest, demands, or rights that are based upon, related to, or connected

with, directly or indirectly, in whole or in part, the allegations, facts, subjects, or issues that have been, could have been, may be, or could be set forth or raised in this Lawsuit, or that concern or relate in any way to the EGB or the EPR Program, except as provided in the following sentence. Notwithstanding the foregoing, Releasors do not release, acquit, or discharge any claims that they, or the putative class representatives seeking to represent any of the Releasors, have asserted in *Parsons, et al. v. AT&T Pension Benefit Plan, et al.*, 06-CV-552 (D. Conn.) (CFD); **the Releasors also do not release, acquit, or discharge any individual claim of any Class Member concerning the calculation of his EGB, other than the claims actually asserted in this Lawsuit, that, as of [date of Fairness Hearing], was or will be filed with the Plan in writing as a claim under the Plan.**

B. Releasors, without limitation, are precluded and estopped from bringing in the future any claim or cause of action released in the preceding subparagraph.

C. Releasors acknowledge that they are releasing both known and unknown and suspected and unsuspected claims and causes of action, and are aware that they may hereafter discover legal or equitable claims or remedies presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true with respect to the allegations and subject matters in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program. Nevertheless, it is the intention of Releasors to fully, finally, and forever settle and release all such matters, and all claims and causes of action relating thereto which exist, hereafter may exist, or might have existed (whether or not previously or currently asserted in this Lawsuit).

D. Releasors expressly acknowledge certain principles of law applicable in some states, such as Section 1542 of the Civil Code of the State of California, which provide that a general release does not extend to claims that a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor. Notwithstanding the choice of law provision in the Agreement, to the extent that California or other law may be applicable and enforceable, Releasors hereby agree that the provisions of Section 1542 of the Civil Code of the State of California and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction that may be applicable here, are hereby knowingly and voluntarily waived and relinquished by Releasors, and Releasors agree and acknowledge that this provision is an essential term of the Agreement and this Release.

E. Releasors further agree that no third-party shall bring any Released Claims on behalf of any Releasor against any Releasee. Should any third-party do so, Releasors shall take all necessary action to secure the dismissal with prejudice of any such claim.

F. Nothing in this Release shall be deemed to release a Class Member's right to assert any claims or causes of action that arise from acts, facts, or circumstances arising exclusively after the entry of the Final Order and Judgment, or preclude any action to enforce the terms of this Agreement.

G. This Release may be raised as a complete defense to and will preclude any action or proceeding that is encompassed by this Release. The Parties intend that the terms of the release provided by this Agreement are to be broadly construed in favor of the Releasees and in favor of the complete resolution of all claims that were actually raised or that could have been raised in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program as described in subparagraph A above.

5. **REPRESENTATION OF CLASS MEMBERS**

Class Members are represented by Plaintiffs and the following Class Counsel, attorneys appointed by the Court as Class Counsel under Fed. R. Civ. P. 23(g) on September 21, 2005:

Class Counsel:

Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
255 S. 17th Street, Suite 1307
Philadelphia, PA 19103
Tel: 1-866-571-7084 (toll free)

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

If the Court finally approves the Settlement and it becomes final for all purposes, you will be bound by all the provisions of the Settlement and all determinations and judgments in this Lawsuit, including the Final Order and Judgment dismissing the Lawsuit with prejudice. No Class Member may opt-out of the Settlement. If you wish to object to the Agreement, to Class Counsel's application for Attorneys' Fees, or Named Plaintiffs' Compensation, you must present your objections by following the instructions in Section 6 below.

6. **OBJECTIONS TO THE SETTLEMENT AND THE FAIRNESS HEARING**

At the _____, 2008 Fairness Hearing, the Court will determine whether to finally approve the Agreement and dismiss the Lawsuit and the claims of the Class Members with prejudice. Any Class Member may appear at the Fairness Hearing, in person or by counsel of his own choice at his own expense, and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness, and adequacy of the Settlement, the application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to the Named Plaintiffs' Compensation. **However, in no event shall any person be heard in opposition to the Settlement or the application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to**

Named Plaintiffs' Compensation unless, on or before _____, such person files with the Clerk of the Court a notice of an intention to appear and provides a written statement that indicates all bases for objection, all documentation in support of the objection, and legal authority, if any, supporting the objection. Copies of such notice, statement, and documentation, together with copies of any other papers or briefs filed with the Court, must be simultaneously delivered to the following:

Class Counsel:

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

Defendant's Counsel:

John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760
Tel: 713.758.2124
Fax: 713.615.5307
jcarter@velaw.com

Any Class Member who does not object in the foregoing manner shall be deemed to have waived all objections and shall be foreclosed from making any objections to the Settlement. The Court has reserved the right to adjourn and/or reset the Fairness Hearing without further notice of any kind; therefore, any Class Member intending to attend the Fairness Hearing should (in addition to complying with all instructions and requirements above) confirm the date, time, and location of the Fairness Hearing with Class Counsel.

7. CONFIRMATION OF COMPLETENESS OF PLAN PARTICIPANT LIST

Based on the Plan's review of its records, the Parties believe that there are 3,801 Plan Participants who are members of the Class in this case, in addition to their estates, beneficiaries, and alternate payees. An alphabetical list of the names of all of those Plan Participants can be reviewed on the following webpage: _____. The password to gain access to this read-only site is the Plan Participant's date of birth in the form mmdyyyy followed by the first three digits of the Plan Participant's social security number. Pop-ups must be allowed to view this list. If, after reviewing the Plan Participant List, you believe there are other persons not included on

the List who received the EGB under the EPR Program, please immediately contact Class Counsel by telephone or e-mail. **The Parties believe that only persons who retired from the former Southwestern Bell Telephone region as a manager and received the EGB under the EPR Program are members of the Class.** Accordingly, retirees from Ameritech, Pacific Telesis Group, and Southern New England Telephone, their estates, beneficiaries, and alternate payees, are not included in the Class even if they retired under the EPR Program and, therefore, these Participants are not included on the Plan Participant List.

8. **NO NEED TO DO ANYTHING TO PARTICIPATE IN SETTLEMENT**

You do not need to do anything to participate in the Settlement. However, if you should move, please advise Class Counsel of your new address in order to ensure the proper mailing of your Settlement Benefit.

9. **FURTHER INFORMATION**

More detailed information about this Lawsuit may be obtained, including the key pleadings and filings of the Parties, the Orders and rulings entered by the Court, and the Settlement Agreement at the following website, www.EPRClassAction.com, by requesting them from Class Counsel, by inspecting all the papers concerning this Lawsuit at the Office of the Clerk, United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001, during regular business hours, or by registering and paying a modest fee to the PACER service, <http://pacer.psc.uscourts.gov/>, which permits inspection of the papers filed in the case online.

ALL INQUIRIES CONCERNING THIS NOTICE SHALL BE DIRECTED TO CLASS COUNSEL, NOT THE COURT.

Dated: _____, 2008.

Royce C. Lamberth
Chief Judge, United States District Court

Houston 3695733v1

EXHIBIT D

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

MARIAN R. WAGENER and §
DONALD F. CHAMPOUX, *et al.* §
§
Plaintiffs § C.A. No. 1:03CV00769 (RCL)
v. §
§
SBC PENSION BENEFIT PLAN—NON §
BARGAINED PROGRAM §
§
Defendant. §

**NOTICE OF PENDENCY AND SETTLEMENT OF CLASS ACTION AND HEARING
ON SETTLEMENT OF CLASS ACTION**

TO: [Each Known Class Member receiving both a Qualified and Non-Qualified Lump Sum Settlement Benefit]

PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF A CLASS ACTION LAWSUIT AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS.

1. **NOTICE OF CLASS ACTION AND THE COURT'S PRELIMINARY APPROVAL OF SETTLEMENT**

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure, and an Order of the United States District Court for the District of Columbia (the "Court"), that an agreement to settle ("Settlement Agreement" or "Agreement") the above-captioned matter (the "Lawsuit") has been made and entered into by and among Plaintiffs Marian R. Wagener and Donald F. Champoux ("Plaintiffs") individually and on behalf of the Class (as defined below) that they represent, and Defendant SBC Pension Benefit Plan—Non Bargained Program ("Defendant" or "Plan"). THE PURPOSE OF THIS NOTICE is to inform the Class Members of (i) a proposed settlement of the Lawsuit between the Class Members and Defendant; and (ii) a hearing (the "Fairness Hearing") to be held before the Honorable Royce C. Lamberth at the United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001 on _____, 2008 at _____. The Fairness Hearing will determine (i) whether the Court should grant final approval of the Agreement; (ii) whether the Court should enter final judgment dismissing the Lawsuit with prejudice; (iii) if the Court approves the Agreement and enters a final judgment, the amount of attorneys' fees, costs, and expenses to be awarded by the Court to Class Counsel ("Class Counsel's Attorneys' Fees"); and (iv) the amount of compensation to be paid to the two Named Plaintiffs for their contributions to the Class.

On _____, 2008, the Court issued an Order granting Preliminary Approval of the Settlement Agreement, preliminarily finding that the terms of the Agreement are fair, reasonable, and adequate; approving the forms and methods of Notice to the Class Members; and scheduling the Fairness Hearing. This notice is merely a summary of the terms of the Agreement, and you should refer to the Settlement Agreement for the complete terms of the Agreement. This Notice uses certain capitalized terms that are defined in the Settlement Agreement.

THIS NOTICE IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, AN EXPRESSION OF ANY OPINION BY A COURT AS TO THE TRUTH OR FALSITY OF THE ALLEGATIONS IN THE LITIGATION OR THE MERITS OF THE CLAIMS OR DEFENSES ASSERTED.

2. DESCRIPTION OF THE LAWSUIT AND REASONS FOR SETTLEMENT

A. On March 27, 2003, Named Plaintiffs filed suit against the Plan under the Employee Retirement Income Security Act ("ERISA"). The Named Plaintiffs, on behalf of a class of Plan participants who received an enhanced pension benefit from the Plan under the Enhanced Pension and Retirement Program ("EPR Program"), alleged that the Plan improperly calculated the benefits due under the EPR Program and wrongfully denied Named Plaintiffs' claims for additional pension benefits. Named Plaintiffs contended that the Plan improperly computed Pension Compensation for purposes of calculating the Enhanced Grandfathered Benefit ("EGB") under the EPR Program of the Plan. Plaintiffs alleged that the Plan improperly excluded pay for certain work performed from the computation of Average Annual Compensation, a component of the EGB calculation, during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

B. Prior to filing the Lawsuit, Plaintiffs pursued, under the Plan's terms, an administrative claim for additional benefits with the Plan's Benefit Plan Committee ("BPC"), the Plan entity responsible for determining benefits and interpreting the Plan. Plaintiffs complained that the Plan's determination that pay received by Plaintiffs after the end of the Averaging Period should be excluded from the computation of Average Annual Compensation for the EGB violated the Plan's terms. The BPC denied Plaintiffs' administrative claim for additional benefits. Defendant contends that the BPC denied Plaintiffs' claims on appeal after due consideration because (a) Plan amendments required the use of a participant's actual base pay rather than basic rate of pay in computing Average Annual Compensation; and (b) the BPC determined that, under the actual base pay amendments, only pay actually received during the Averaging Period was included in the calculation of a participant's Average Annual Compensation for the EGB. Defendant contends that the BPC thus concluded that the Plan had properly calculated Plaintiffs' EGB because the Plan's terms required that the pay Plaintiffs received after the end of the Averaging Period be excluded from the calculation of Average Annual Compensation for the EGB.

C. The Plan moved to dismiss Plaintiffs' Complaint for failure to state a claim. The Plan contended that, because of the discretion granted to the BPC under the Plan to determine benefits and construe the Plan's terms, the BPC's interpretation of the Plan is entitled to a

deferential standard of review by the Court and can be set aside only in the event that the decision was an abuse of discretion. The Plan contended that because the BPC's interpretation of the Plan and the actual base pay amendments was reasonable, its denial of Plaintiffs' claims for additional benefits was not an abuse of discretion and should therefore not be overturned by the Court.

D. On March 29, 2004, the Court granted the Plan's motion to dismiss Named Plaintiffs' claims and dismissed Named Plaintiffs' Complaint. The Court determined that the interpretation of the Plan and the Plan amendments advanced by the Plan as having been adopted by the BPC was "reasonable."

E. Named Plaintiffs appealed the dismissal of their Complaint. In *Wagener v. SBC Pension Benefit Plan—Non-Bargained Program*, 407 F.3d 395 (D.C. Cir. 2005), the D.C. Circuit Court of Appeals reversed the district court's order dismissing the Lawsuit and remanded the case to the District Court. The Parties have disputed the appropriate scope of the remand. Defendant contends that the remand was for the limited purpose of determining (1) whether the interpretation of 'actual base pay' rendered by the BPC "or other Plan fiduciaries with responsibility for construing and administering the Plan" was consistent with the Plan's "equal treatment clause" contained in the Plan amendment defining the EPR Program; and (2) whether the BPC operated under a conflict of interest at the time it made its decisions. Plaintiffs contend that the District Court may consider on remand any matter germane to whether the denial of benefits violated the terms of the Plan.

F. On August 11, 2005, the Plan filed its Answer to Plaintiffs' Class Action Complaint. The Plan denied all wrongdoing and asserted, among other things, that (i) Plaintiffs failed to state a claim under ERISA; (ii) Plaintiffs had no viable claim for additional benefits because the BPC's interpretation of the Plan was consistent with its express terms which have been consistently applied to all similarly situated Plan participants and beneficiaries; and (iii) Plaintiffs' claims were barred by the applicable statute of limitations.

G. On September 21, 2005, the Court certified a mandatory Class under Fed. R. Civ. P. 23(b)(1)(A), 23(b)(1)(B), and 23(b)(2), of all persons or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the EGB under the EPR program of the Plan was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

H. The Parties engaged in substantial discovery with respect to Plaintiffs' claims, including depositions, interrogatories, requests for admissions, and the exchange of a substantial number of documents. Defendant disputes the Named Plaintiffs' claims in the Lawsuit. Defendant has denied, and continues to deny, any liability to the Named Plaintiffs or to any Class Member.

I. On March 26, 2007, Plaintiffs filed a First Amended Complaint alleging, *inter alia*, that the determination to deny Plaintiffs' claims was in fact made by SBC rather than the BPC, that the denial was motivated by SBC's financial interest, and that the actual rationale

employed by the BPC in denying Plaintiffs' appeals differed from the rationale advanced as reasonable by Defendant in the instant litigation. On May 11, 2007, Defendant filed its Answer to the Amended Complaint denying these allegations. Thereafter, Plaintiffs conducted additional discovery on their allegations. While discovery was ongoing, the Parties reached agreement on the terms of Settlement.

J. The Parties believe in the merits of their respective positions. However, to avoid the expense, inconvenience, and distractions of burdensome, protracted litigation; to obtain the benefits, releases, orders, and judgments contemplated by the Settlement Agreement; and to resolve finally and fairly all claims, known and unknown, that have been or might be asserted by Plaintiffs or Class Members against Defendant, AT&T, or the AT&T Non-Qualified Plan relating to the EGB or the EPR Program, the Parties entered into the Agreement. For these reasons, the Plan determined that settling this Lawsuit in accordance with the terms and conditions of the Agreement is in the best interests of all Plan participants. Likewise, Plaintiffs and their counsel extensively investigated and evaluated their claims and the Plan's available defenses and, considering the benefits promised by the Agreement and the costs and uncertainty of establishing a right to recovery, have concluded, after extensive negotiations over the terms of the Agreement, that the Agreement is fair, reasonable, and adequate and in the best interests of the Class Members.

3. DESCRIPTION OF THE SETTLEMENT BENEFITS

The following is a description of the Settlement of this Lawsuit and the Qualified and Non-Qualified Settlement Benefits you will receive under the Agreement if the Agreement and the amount of Class Counsel's Attorneys' Fees and Named Plaintiffs' Compensation are finally approved by the Court in an order and judgment that becomes final and binding for all purposes:

A. TOTAL SETTLEMENT AMOUNT AND NET SETTLEMENT BENEFIT

The Total Settlement Amount to be paid either by the Plan or under the AT&T Non-Qualified Plan is \$16,000,000. The Net Settlement Benefit available for payment to Plan Participants (or Class Members claiming by, through, or under a Plan Participant) is the Total Settlement Amount (\$16,000,000) *less* (1) Class Counsel's Attorneys' Fees; (2) Named Plaintiffs' Compensation approved by the Court; and (3) the Total Notice Costs. (1) The Court will determine the amount of Class Counsel's Attorneys' Fees in accordance with Fed. R. Civ. P. 23(h), but Class Counsel has agreed not to seek an award of fees (inclusive of costs and expenses) in excess of 30% of the Total Settlement Amount, *i.e.*, \$4.8 million. (2) The Court will also determine the Named Plaintiffs' Compensation (if any), but Named Plaintiffs (Marian R. Wagener and Donald F. Champoux) have agreed not to seek compensation for their services to the Class from the Total Settlement Amount in excess of \$3,000 each. (3) Total Notice Costs will not exceed \$75,000.

B. DETERMINATION OF CLASS MEMBERS' SETTLEMENT BENEFIT

The amount of each Plan Participant's Settlement Benefit (or the Settlement Benefit of a Class Member claiming by, through, or under a Plan Participant) will be calculated by

multiplying the Net Settlement Benefit (*see paragraph 3A* above—\$16,000,000 less Class Counsel’s Attorneys’ Fees, Named Plaintiffs’ Compensation, and the Total Notice Costs) by the ratio that a Plan Participant’s estimated EPR Lump Sum Benefit, calculated by the Plan in September 2001, bears to the sum of the EPR Lump Sum Benefits estimated by the Plan in September 2001 to be paid to all Plan Participants. Each Class Member’s Settlement Benefit shall be paid, to the greatest extent possible, from the Plan as a Qualified Settlement Benefit. If all or a portion of a Class Member’s Settlement Benefit cannot be paid from the Plan as a Qualified Settlement Benefit, the AT&T Non-Qualified Plan shall pay the amount as a Non-Qualified Settlement Benefit.

C. Because you are receiving this Notice, if the Settlement Agreement is finally approved by the Court and becomes final for all purposes, you will receive both a Qualified Settlement Benefit and Non-Qualified Settlement Benefit under the Agreement. If the maximum permitted Class Counsel’s Attorneys’ Fees that may be requested by Class Counsel and Named Plaintiffs’ Compensation are finally approved by the Court and Notice Costs deducted from the Total Settlement Amount equal \$75,000, you will receive \$____ as a Qualified Settlement Benefit paid by the Plan. You will also receive \$____ as a Non-Qualified Settlement Benefit paid under the AT&T Non-Qualified Plan, less the Plan’s required Withholding for Federal Income Taxes. You will receive a higher payment, proportionately determined, in the event that (1) less than the maximum Class Counsel’s Attorneys’ Fees are sought and/or approved; (2) less than the maximum Named Plaintiffs’ Compensation is sought and/or approved; and/or (3) actual notice costs are less than \$75,000. Your Non-Qualified Settlement Benefit will be paid directly to you by check once a judgment in this Lawsuit has become final.

D. Before your Qualified Settlement Benefit may be paid by the Plan, you must elect, by completing the last page of this Notice and returning it to the Plan [or its delegate], one of the following rollover/distribution options for your Qualified Settlement Benefit:

1. **Option 1 - Rollover:** A direct rollover of up to 100% of your Qualified Lump Sum Settlement Benefit to an individual retirement account (or “IRA”) or to another qualified plan that accepts rollovers that you designate in response to this Notice. If you elect to rollover less than 100% of your Qualified Lump Sum Settlement Benefit, the balance will be paid directly to you as a distribution, net of the Plan’s Withholding for Federal Income Tax.

2. **Option 2 – Direct Payment:** A direct payment to you of 100% of your Qualified Lump Sum Settlement Benefit. If you elect this distribution option, the funds, net of the Plan’s Withholding for Federal Income Taxes, will be distributed and sent directly to you.

ATTENTION—DEADLINE FOR MAKING ELECTION: To make a timely election, you must complete the information requested on the last page of this Notice and return that page, in the enclosed, postage pre-paid envelope, to _____ [Plan or its delegate] by _____ [5 days before the Fairness Hearing]. IF YOU DO NOT MAKE A TIMELY ELECTION, you will be deemed to have elected option two (“Direct Payment”) and your Qualified Lump Sum Settlement Benefit (net of the Plan’s Withholding for Federal Income Taxes) will be distributed and sent directly to you.

E. No opinion concerning the tax consequences of the Agreement to individual Class Members is being given or will be given by Defendant, Defendant's Counsel, or Class Counsel, nor is any representation or warranty in this regard made by virtue of this Agreement. Each Class Member's tax obligations, and the determination thereof, are the sole responsibility of the Class Member, and it is understood that the tax consequences may vary depending upon the particular circumstances of each individual Class Member.

4. **WAIVER, RELEASE, AND DISCHARGE**

PLEASE READ THIS SECTION CAREFULLY. IT CONTAINS IMPORTANT INFORMATION ABOUT A WAIVER OF YOUR RIGHTS AS A CLASS MEMBER IF THE SETTLEMENT AGREEMENT BECOMES FINAL.

If the Settlement Agreement is finally approved by the Court and becomes final for all purposes, as a Class Member, individually and on behalf of anyone acting on behalf of or for the benefit of Plaintiffs or Class Members, including, but not limited to, agents, attorneys, predecessors, successors, insurers, administrators, heirs, executors and assigns (collectively, "Releasors"), you will be deemed to have, and by operation of the judgment shall have, **FOREVER WAIVED YOUR RIGHTS AGAINST THE PLAN, AT&T INC., AND THE AT&T NON-QUALIFIED PLAN** (collectively, the "Releasees") as follows:

A. Releasors shall release, acquit, and forever discharge the Releasees from any and all past, present, and future causes of action, claims, damages, awards, equitable, legal, and administrative relief, interest, demands, or rights that are based upon, related to, or connected with, directly or indirectly, in whole or in part, the allegations, facts, subjects, or issues that have been, could have been, may be, or could be set forth or raised in this Lawsuit, or that concern or relate in any way to the EGB or the EPR Program, except as provided in the following sentence. Notwithstanding the foregoing, Releasors do not release, acquit, or discharge any claims that they, or the putative class representatives seeking to represent any of the Releasors, have asserted in *Parsons, et al. v. AT&T Pension Benefit Plan, et al.*, 06-CV-552 (D. Conn.) (CFD); **the Releasors also do not release, acquit, or discharge any individual claim of any Class Member concerning the calculation of his EGB, other than the claims actually asserted in this Lawsuit, that, as of [date of Fairness Hearing], was or will be filed with the Plan in writing as a claim under the Plan.**

B. Releasors, without limitation, are precluded and estopped from bringing in the future any claim or cause of action released in the preceding subparagraph.

C. Releasors acknowledge that they are releasing both known and unknown and suspected and unsuspected claims and causes of action, and are aware that they may hereafter discover legal or equitable claims or remedies presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true with respect to the allegations and subject matters in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program. Nevertheless, it is the intention of Releasors to fully, finally, and forever settle and release all such matters, and all claims and causes of action relating thereto which

exist, hereafter may exist, or might have existed (whether or not previously or currently asserted in this Lawsuit).

D. Releasors expressly acknowledge certain principles of law applicable in some states, such as Section 1542 of the Civil Code of the State of California, which provide that a general release does not extend to claims that a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor. Notwithstanding the choice of law provision in the Agreement, to the extent that California or other law may be applicable and enforceable, Releasors hereby agree that the provisions of Section 1542 of the Civil Code of the State of California and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction that may be applicable here, are hereby knowingly and voluntarily waived and relinquished by Releasors, and Releasors agree and acknowledge that this provision is an essential term of the Agreement and this Release.

E. Releasors further agree that no third-party shall bring any Released Claims on behalf of any Releasor against any Releasee. Should any third-party do so, Releasors shall take all necessary action to secure the dismissal with prejudice of any such claim.

F. Nothing in this Release shall be deemed to release a Class Member's right to assert any claims or causes of action that arise from acts, facts, or circumstances arising exclusively after the entry of the Final Order and Judgment, or preclude any action to enforce the terms of this Agreement.

G. This Release may be raised as a complete defense to and will preclude any action or proceeding that is encompassed by this Release. The Parties intend that the terms of the release provided by this Agreement are to be broadly construed in favor of the Releasees and in favor of the complete resolution of all claims that were actually raised or that could have been raised in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program as described in subparagraph A above.

5. **REPRESENTATION OF CLASS MEMBERS**

Class Members are represented by Plaintiffs and the following Class Counsel, attorneys appointed by the Court as Class Counsel under Fed. R. Civ. P. 23(g) on September 21, 2005:

Class Counsel:

Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
255 S, 17th Street, Suite 1307
Philadelphia, PA 19103
Tel: 1-866-571-7084 (toll free)

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

If the Court finally approves the Settlement and it becomes final for all purposes, you will be bound by all the provisions of the Settlement and all determinations and judgments in this Lawsuit, including the Final Order and Judgment dismissing the Lawsuit with prejudice. No Class Member may opt-out of the Settlement. If you wish to object to the Agreement, to Class Counsel's application for Attorneys' Fees, or Named Plaintiffs' Compensation, you must present your objections by following the instructions in Section 6 below.

6. OBJECTIONS TO THE SETTLEMENT AND THE FAIRNESS HEARING

At the _____, 2008 Fairness Hearing, the Court will determine whether to finally approve the Agreement and dismiss the Lawsuit and the claims of the Class Members with prejudice. Any Class Member may appear at the Fairness Hearing, in person or by counsel of his own choice at his own expense, and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness, and adequacy of the Settlement, the application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to the Named Plaintiffs' Compensation. **However, in no event shall any person be heard in opposition to the Settlement, the application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to Named Plaintiffs' Compensation unless, on or before _____, such person files with the Clerk of the Court a notice of an intention to appear and provides a written statement that indicates all bases for objection, all documentation in support of the objection, and legal authority, if any, supporting the objection.** Copies of such notice, statement, and documentation, together with copies of any other papers or briefs filed with the Court, must be simultaneously delivered to the following:

Class Counsel:

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

Defendant's Counsel:

John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760
Tel: 713.758.2124
Fax: 713.615.5307
jcarter@velaw.com

Any Class Member who does not object in the foregoing manner shall be deemed to have waived all objections and shall be foreclosed from making any objections to the Settlement. The Court has reserved the right to adjourn and/or reset the Fairness Hearing without further notice of any kind; therefore, any Class Member intending to attend the Fairness Hearing should (in addition to complying with all instructions and requirements above) confirm the date, time, and location of the Fairness Hearing with Class Counsel.

7. CONFIRMATION OF COMPLETENESS OF PLAN PARTICIPANT LIST

Based on the Plan's review of its records, the Parties believe that there are 3,801 Plan Participants who are members of the Class in this case, in addition to their estates, beneficiaries, and alternate payees. An alphabetical list of the names of all of those Plan Participants can be reviewed on the following webpage: _____. The password to gain access to this read-only site is the Plan Participant's date of birth in the form mmddyyyy followed by the first three digits of the Plan Participant's social security number. Pop-ups must be allowed on your computer to view this list. If, after reviewing the Plan Participant List, you believe there are other persons not included on the List who received the EGB under the EPR Program, please immediately contact Class Counsel by telephone or e-mail. **The Parties believe that only persons who retired from the former Southwestern Bell Telephone region as a manager and received the EGB under the EPR Program are members of the Class. Accordingly, retirees from Ameritech, Pacific Telesis Group, and Southern New England Telephone, their estates, beneficiaries, and alternate payees, are not included in the Class even if they retired under the EPR Program and, therefore, these Participants are not included on the Plan Participant List.**

8. NO NEED TO DO ANYTHING TO PARTICIPATE IN SETTLEMENT

You do not need to do anything to participate in the Settlement. The Parties strongly recommend, however, that you fill out the attached Election Form and return it to the Plan using the enclosed self-addressed postage pre-paid envelope to assure that you receive your payment at the address and in the manner that you wish to receive it. If you neglect to fill out the form, you will receive a direct payment of your Settlement Benefit, net of withheld taxes, at the address to which this notice was directed.

9. **FURTHER INFORMATION**

More detailed information about this Lawsuit may be obtained, including the key pleadings and filings of the Parties, the Orders and rulings entered by the Court, and the Settlement Agreement at the following website, www.EPRClassAction.com, by requesting them from Class Counsel, by inspecting all the papers concerning this Lawsuit at the Office of the Clerk, United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001, during regular business hours, or by registering and paying a modest fee to the PACER service, <http://pacer.psc.uscourts.gov/>, which permits inspection of the papers filed in the case online.

ALL INQUIRIES CONCERNING THIS NOTICE SHALL BE DIRECTED TO CLASS COUNSEL, NOT THE COURT.

Dated: _____, 2008.

Royce C. Lamberth
Chief Judge, United States District Court

[NAME'S] ELECTION OF ROLLOVER/DIRECT PAYMENT OF QUALIFIED SETTLEMENT BENEFIT

Before your Qualified Settlement Benefit will be paid by the Plan you must select, by placing a ✓ next to one of the following options, either the rollover or direct payment of your Qualified Settlement Benefit.

- ____ 1. **Rollover:** I elect a direct rollover of up to ____% (maximum of 100%) of my Qualified Settlement Benefit, paid to the following account (either an IRA or another qualified plan):

_____.

[Include the name of your account; the account number; and the name of the institution holding that account for you.]

If you elect to rollover less than 100% of your Qualified Settlement Benefit, the balance will be paid directly to you as a distribution, net of the Plan's Withholding for Federal Income Tax.

- ____ 2. **Direct Payment:** I elect a direct payment to me of 100% of my Qualified Settlement Benefit, which should be sent by check to the following address:

If you elect this distribution option, the funds, net of the Plan's Withholding for Federal Income Taxes, will be distributed and sent directly to you. **To make a timely election of either option 1 or 2, you must sign where indicated below and return a copy of this page in the enclosed, postage pre-paid envelope, to _____ [Plan or its delegate] by _____ [5 days before the Fairness Hearing].**

Print Name:

Date:

Contact Telephone Number:

DOB:

Address:

Houston 3695715v1

EXHIBIT E

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

MARIAN R. WAGENER and §
DONALD F. CHAMPOUX, *et al.* §
§
Plaintiffs § C.A. No. 1:03CV00769 (RCL)
v. §
§
SBC PENSION BENEFIT PLAN—NON §
BARGAINED PROGRAM §
§
Defendant. §

NOTICE OF CLASS ACTION AND PROPOSED SETTLEMENT

TO: All Participants in the SBC Pension Benefit Plan – Non Bargained Program, who retired under the Enhanced Pension and Retirement Program (“EPR”) and received the Enhanced Grandfathered Benefit (“EGB”) under the Plan, and the beneficiaries, estates and alternate payees of such Participants.

1. NOTICE OF CLASS ACTION AND THE COURT’S PRELIMINARY APPROVAL OF SETTLEMENT

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure, and an Order of the United States District Court for the District of Columbia (the “Court”), that an agreement to settle (“Settlement Agreement” or “Agreement”) the above-captioned matter (the “Lawsuit”) has been made and entered into by and among Plaintiffs Marian R. Wagener and Donald F. Champoux (“Plaintiffs”) individually and on behalf of the Class (as defined below) that they represent, and Defendant SBC Pension Benefit Plan—Non Bargained Program (“Defendant” or “Plan”). THE PURPOSE OF THIS NOTICE is to inform the Class Members of (i) a proposed settlement of the Lawsuit between the Class Members and Defendant; and (ii) a hearing (the “Fairness Hearing”) to be held before the Honorable Royce C. Lamberth at the United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001 on _____, 2008 at _____. The Fairness Hearing will determine (i) whether the Court should grant final approval of the Agreement; (ii) whether the Court should enter final judgment dismissing the Lawsuit with prejudice; (iii) if the Court approves the Agreement and enters a final judgment, the amount of attorneys’ fees, costs, and expenses to be awarded by the Court to Class Counsel (“Class Counsel’s Attorneys’ Fees”); and (iv) the amount of compensation to be paid to the two Named Plaintiffs for their contributions to the Class.

On _____, 2008, the Court issued an Order granting Preliminary Approval of the Settlement Agreement, finding preliminarily that the terms of the Agreement are fair, reasonable, and adequate; approving the forms and methods of Notice to the Class Members; and scheduling the Fairness Hearing. This notice is merely a summary of the terms of the Agreement, and you should refer to the Settlement Agreement for the complete terms of the Agreement. This Notice uses certain capitalized terms that are defined in the Settlement Agreement.

IMPORTANT:

THE COURT HAS DIRECTED THAT AN INDIVIDUALIZED NOTICE BE MAILED TO ALL KNOWN CLASS MEMBERS. THIS INDIVIDUALIZED MAILED NOTICE SPECIFIES THE ESTIMATED PAYMENT THAT WILL BE MADE TO EACH SUCH CLASS MEMBER. IF YOU BELIEVE YOU MIGHT BE A MEMBER OF THE CLASS DEFINED BELOW, AND YOU DID NOT RECEIVE MAILED NOTICE, IT IS CRITICAL THAT YOU CONTACT CLASS COUNSEL IMMEDIATELY TO CONFIRM YOUR MEMBERSHIP IN THE CLASS AND TO RECEIVE A COPY OF THE INDIVIDUALIZED NOTICE THAT YOU SHOULD HAVE RECEIVED. UNDER THE TERMS OF THE SETTLEMENT ONLY KNOWN CLASS MEMBERS IDENTIFIED BY THE PARTIES CAN RECEIVE A RECOVERY.

2. **THE ACTION AND THE SETTLEMENT**

On March 27, 2003, Named Plaintiffs filed suit against the Plan under the Employee Retirement Income Security Act (“ERISA”). The Named Plaintiffs, on behalf of a class of Plan participants who received an enhanced pension benefit from the Plan under the Enhanced Pension and Retirement Program (“EPR Program”), alleged that the Plan improperly calculated the benefits due under the EPR Program and wrongfully denied Named Plaintiffs’ claims for additional pension benefits. Defendant Plan had denied and continues to deny these and other critical allegations of Plaintiffs’ Complaint and subsequent Amended Complaint, but has agreed to settle the allegations with class for a Total Settlement Amount of \$16 million, out of which will be paid the costs of Notice to the Class up to \$75,000, attorneys’ fees and expenses as may be approved by the Court not to exceed 30% of the Total Settlement Amount (\$4.8 million), and \$3,000 dollars each in compensation to the Named Plaintiffs, if approved by the court.

The Parties believe in the merits of their respective positions. However, to avoid the expense, inconvenience, and distractions of burdensome, protracted litigation; to obtain the benefits, releases, orders, and judgments contemplated by this Agreement; and to resolve finally and fairly all claims, known and unknown, that have been or might be asserted by Plaintiffs or Class Members against Defendant, AT&T, and the AT&T Non-Qualified Plan relating to the Enhanced Grandfathered Benefit or the EPR Program, the Parties have entered into this Agreement.

The Court has directed individualized notice to each class member. If you did not receive such individualized notice, more information about the lawsuit can be obtained as instructed below. If you have not received an individualized notice but believe that you are a member of the Class as defined below, you should **immediately contact class counsel** to assure that your

name has not been inadvertently omitted from the list of Known Class Members who will receive a benefit under the terms of the Settlement. The Class is defined as:

ALL PERSONS OR THE BENEFICIARIES, ESTATES OR ALTERNATE PAYEES OF SUCH PERSONS, WHOSE PENSION COMPENSATION FOR PURPOSES OF THE ENHANCED GRANDFATHERED BENEFIT (“EGB”) UNDER THE ENHANCED PENSION AND RETIREMENT PROGRAM (“EPR PROGRAM”) OF THE PLAN WAS OR WILL BE CALCULATED BY EXCLUDING PAY FOR WORK PERFORMED DURING THE PERIOD FOR WHICH AVERAGE ANNUAL COMPENSATION WAS CALCULATED WITHOUT ANY ADJUSTMENT HAVING BEEN MADE IN SUCH CALCULATION TO COMPENSATE FOR SUCH EXCLUSION.

Any error in the list of Known Class Members must be corrected prior to final approval of the settlement in order for you to receive a recovery. As a practical matter, all participants in the Plan, their beneficiaries, estates and alternate payees who received the EGB under the EPR Program offered in or around the end of 2000 are members of the Class.

3. **REPRESENTATION OF CLASS MEMBERS**

Class Members are represented by Plaintiffs and the following Class Counsel, attorneys appointed by the Court as Class Counsel under Fed. R. Civ. P. 23(g) on September 21, 2005:

Class Counsel:

Marc I. Machiz
Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
255 S. 17th Street, Suite 1307
Philadelphia, PA 19103
Tel: 1-866-571-7084 (toll free)

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

If the Court finally approves the Settlement, all Class Members shall be bound by all the provisions of the Settlement and all determinations and judgments in this Lawsuit, including the Final Order and Judgment dismissing the Lawsuit with prejudice. No Class Member may opt-out of the Settlement. If you wish to object to the Agreement, or to Class Counsel's application for attorneys' fees, costs, and expenses, or Named Plaintiffs' Compensation, you must present your objections by following the instructions in below.

4. **OBJECTIONS TO THE SETTLEMENT AND THE FAIRNESS HEARING**

At the _____, 2008 Fairness Hearing, the Court will determine whether to finally approve the Agreement and dismiss the Lawsuit and the claims of the Class Members with prejudice. Any Class Member may appear at the Fairness Hearing, in person or by counsel of his own choice at his own expense, and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness, and adequacy of the Settlement, the application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to the Named Plaintiffs' Compensation. **However, in no event shall any person be heard in opposition to the Settlement or the application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to Named Plaintiffs' Compensation unless, on or before _____, such person files with the Clerk of the Court a notice of an intention to appear and provides a written statement that indicates all bases for objection, all documentation in support of the objection, and legal authority, if any, supporting the objection.** Copies of such notice, statement, and documentation, together with copies of any other papers or briefs filed with the Court, must be simultaneously delivered to the following:

Class Counsel:

Eli Gottesdiener
Gottesdiener Law Firm, P.L.L.C.
498 7th Street
Brooklyn, NY 11215
Tel: 718.788.1500
Fax: 718.788.1650
eli@gottesdienerlaw.com

Defendant's Counsel:

John L. Carter
Bruce A. Blefeld
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002-6760
Tel: 713.758.2124
Fax: 713.615.5307
jcarter@velaw.com

Any Class Member who does not object in the foregoing manner shall be deemed to have waived all objections and shall be foreclosed from making any objections to the Settlement. The Court has reserved the right to adjourn and/or reset the Fairness Hearing without further notice of any kind; therefore, any Class Member intending to attend the Fairness Hearing should (in addition to complying with all instructions and requirements above) confirm the date, time, and location of the Fairness Hearing with Class Counsel.

5. **FURTHER INFORMATION**

More detailed information about this Lawsuit may be obtained, including the key pleadings and filings of the Parties, the Orders and rulings entered by the Court, and the Settlement Agreement at the following website, www.EPRClassAction.com, by requesting them from Class Counsel, by inspecting all the papers concerning this Lawsuit at the Office of the Clerk, United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001, during regular business hours, or by registering and paying a modest fee to the PACER service, <http://pacer.psc.uscourts.gov/>, which permits inspection of the papers filed in the case online.

ALL INQUIRIES CONCERNING THIS NOTICE SHALL BE DIRECTED TO CLASS COUNSEL, NOT TO THE COURT.

BY ORDER OF THE COURT

HON. ROYCE C. LAMBERTH

Houston 3695694v1

EXHIBIT F

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

MARIAN R. WAGENER and	§
DONALD F. CHAMPOUX, <i>et al.</i>	§
Plaintiffs	§
v.	§
SBC PENSION BENEFIT PLAN—NON	§
BARGAINED PROGRAM	§
Defendant.	§

**FINAL ORDER AND JUDGMENT APPROVING SETTLEMENT
AND DISMISSING THIS ACTION WITH PREJUDICE**

This Lawsuit is a class action brought by Plaintiffs Marian R. Wagener and Donald F. Champoux (“Plaintiffs” or “Named Plaintiffs”) individually, and on behalf of the Class they represent, against Defendant SBC Pension Benefit Plan—Non Bargained Program (“Defendant” or “Plan”). Pursuant to Fed. R. Civ. P. 23(b)(1)(A), 23(b)(1)(B), and 23(b)(2), a mandatory class action was certified by the Court on September 21, 2005 of all persons or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the Enhanced Grandfathered Benefit (“EGB”) under the EPR Program of the Plan was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

Plaintiffs, on behalf of themselves and the Class Members, and Defendant have agreed to settle this class action suit (the “Lawsuit”) on the terms and conditions set forth in the Class Settlement Agreement dated July 28, 2008 (the “Settlement Agreement” or “Agreement”), the

original of which is filed with the Clerk of the Court.¹ The Parties have together applied to this Court for approval of the Settlement Agreement and its terms pursuant to Fed. R. Civ. P. 23(e).

On _____, 2008, the Court entered an Order Preliminarily Approving Settlement And Approving Notice To The Class, directing that Notice be given to the Class Members of the proposed Settlement Agreement and of a Fairness Hearing. The Court approved the form and content of the mailed Notices directed to Known Class Members and the Publication Notice which were attached as Exhibits to the Settlement Agreement. The Notices informed the Class Members of the settlement terms and that the Court would consider the following issues at the Fairness Hearing: (i) whether the Court should grant final approval of the Settlement Agreement; (ii) whether the Court should enter final judgment dismissing the Lawsuit with prejudice; (iii) whether the Court should approve the amount of attorneys' fees, costs, and expenses to be awarded to Class Counsel; (iv) whether the Court should approve the amount of compensation to be paid to the two Named Plaintiffs for their contributions to the Class; and (v) any objections by Class Members to any of the above.

In accordance with the Notice to Class Members, a Fairness Hearing was held on _____, 2008. _____ objection(s) to the Settlement Agreement was/were filed with the Court and/or made at the Fairness Hearing.

The Court, having heard argument on behalf of the Plaintiffs and Class Members and the Defendant in support of the Settlement Agreement, and having reviewed all of the evidence and other submissions presented with respect to the Settlement Agreement and the record of all proceedings in this case, enters the following findings:

¹ Unless otherwise specifically defined herein, the capitalized terms used in this Final Order and Judgment ("Judgment") have the same meaning as defined in the Settlement Agreement.

1. The Court has jurisdiction over the subject matter and the Parties to this Lawsuit, including the Class Members.

2. The Class Members are: All persons, or the beneficiaries, estates or alternate payees of such persons, whose Pension Compensation for purposes of the Enhanced Grandfathered Benefit (“EGB”) under the EPR Program of the Plan was or will be calculated by excluding pay for work performed during the period for which Average Annual Compensation was calculated without any adjustment having been made in such calculation to compensate for such exclusion.

3. The Settlement Agreement, together with all of its exhibits (as filed with the Court), is incorporated in this Judgment.

4. During the period _____, 2008 through _____, 2008, the Claims Administrator caused the Qualified and Non-Qualified Notices of Settlement to be mailed to all Known Class Members. On _____, 2008, the Claims Administrator filed with the Court proof of mailing of those Notices to all Known Class Members. On ____, 2008, Class Counsel also published the Notices of Settlement on their firm internet websites, on the website dedicated to this litigation, www.EPRClassAction.com, and caused to be published the Publication Notice of Settlement on the internet website of AT&T retiree organizations, pursuant to the terms of the Settlement Agreement.

5. On _____, 2008, the Claims Administrator caused the Publication Notice to be published in the *USA Today* on a nationwide basis. On _____, 2008, the Claims Administrator filed with the Court proof of such publication.

6. Notice to the Class Members has been given in an adequate and sufficient manner and the Notices given constitute the best notice practicable under the circumstances, and were

reasonably calculated to apprise interested parties of the pendency of this Lawsuit, the nature of the claims, the definition of the Class, and their opportunity to present their objections to the Settlement Agreement. The notices complied in all respects with the requirements of the Federal Rules of Civil Procedure, the United States Constitution (including the Due Process Clause), the Rules of this Court, and any other applicable law.

7. In response to the _____ individually mailed notices (in addition to the Publication Notice), _____ Class Member(s) filed _____ objection(s) to the Settlement Agreement prior to the Fairness Hearing. _____ objection(s) was/were presented at the Fairness Hearing.

8. After considering (i) whether the Agreement was a product of fraud or collusion; (ii) the complexity, expense, and likely duration of the Lawsuit; (iii) the stage of the proceedings and amount of discovery completed; (iv) the factual and legal obstacles to prevailing on the merits; (v) the possible range of recovery and the difficulties of calculating damages; and (vi) the respective opinions of the Parties, including Plaintiffs, Class Counsel, Defendant, and Defendant's Counsel, the Court finally approves the Settlement Agreement in all respects as fair, reasonable, adequate, and in the best interests of the Class Members pursuant to Fed. R. Civ. P. 23(e). No Class Member may opt-out of the Settlement Agreement. The terms of the Settlement Agreement, including all Exhibits to the Agreement and of this Judgment, shall be forever binding on the Class Members.

9. Class Counsel have sought an award for attorneys' fees and all expenses (other than the expense of notice up to \$75,000 paid from the Total Settlement Amount) in an amount equal to _____ % of the Total Settlement Amount, *i.e.*, \$_____. Based on the evidence presented by Class Counsel, the Court finds _____ % of the Total Settlement Amount, *i.e.*, \$_____ to be fair and reasonable compensation and reimbursement for the work of

Class Counsel in obtaining this Settlement in light of the substantial risk of non-recovery and the deference normally accorded plan fiduciary benefit denials, the results obtained, the time and resources expended in prosecuting this action, the complexity of the legal and factual issues, and the diligence of counsel.

10. The Named Plaintiffs, Marian R. Wagener and Donald F. Champoux, seek, in addition to their allocable shares of the Class recovery, an additional \$3,000 each for the time expended in pursuit of these claims, their diligence, and the benefits obtained by the Class. The Court finds that such additional payment to each from the Total Settlement Amount is fair and reasonable.

11. The Court recognizes that Defendant has denied and continues to deny Plaintiffs' and Class Members' claims. Neither the Settlement Agreement, this Judgment, any papers related to the Settlement Agreement, nor the fact of Settlement shall be used as an admission of the Defendant, or any other person, of any fault, omission, mistake, or liability, and shall not be offered as evidence of any claimed liability in this or any other proceeding. Evidence of the Settlement Agreement and this Court's orders approving same shall be admissible only in proceedings to enforce the Agreement or this Judgment, but not as an admission of liability in the underlying Lawsuit.

It is, therefore, ORDERED, ADJUDGED, AND DECREED that:

1. The Parties shall carry out all the terms of the Settlement Agreement, including the payment of the Settlement Benefits by Defendant and the AT&T Non-Qualified Plan to the Known Class Members in accordance with the terms of the Agreement and the Plan Participant List dated July 28, 2008 that Defendant transmitted to Class Counsel in connection with the

Agreement. The Court finds this allocation of the Settlement Benefit to be fair, reasonable, adequate, and in the best interests of the Class Members.

2. Each Class Member is bound by this Judgment and, as a result of it, has fully, finally, and forever released and discharged the Plan, AT&T, and the AT&T Non-Qualified Plan (“Releasees”) from the claims asserted in this case and those that could have been asserted in it as set forth below. Specifically, Plaintiffs and all Class Members claiming by, through, or under the Listed Plan Participants, individually and on behalf of anyone acting on behalf of or for the benefit of Plaintiffs or Class Members claiming by, through, or under the Listed Plan Participants, including, but not limited to, agents, attorneys, predecessors, successors, insurers, administrators, heirs, executors and assigns (“Releasors”), has released and discharged Releasees as follows (as set forth in the Settlement Agreement):

- A. Releasors release, acquit, and forever discharge the Releasees from any and all past, present, and future causes of action, claims, damages, awards, equitable, legal, and administrative relief, interest, demands, or rights that are based upon, related to, or connected with, directly or indirectly, in whole or in part, the allegations, facts, subjects, or issues that have been, could have been, may be, or could be set forth or raised in this Lawsuit, or that concern or relate in any way to the EGB or the EPR Program, except as provided in the following sentence. Notwithstanding the foregoing, Releasors do not release, acquit, or discharge any claims that they, or the putative class representatives seeking to represent any of the Releasors, have asserted in *Parsons, et al. v. AT&T Pension Benefit Plan, et al.*, 06-CV-552 (D. Conn.) (CFD); the Releasors also do not release, acquit, or discharge any individual claim of any Class Member concerning the calculation of his EGB, other than the claims actually asserted in this Lawsuit, that, prior to [date of Fairness Hearing], was filed with the Plan in writing as a claim under the Plan.
- B. Releasors, without limitation, are precluded and estopped from bringing in the future any claim or cause of action released in the preceding subparagraph.
- C. Releasors acknowledge that they are releasing both known and unknown and suspected and unsuspected claims and causes of action, and are aware that they may hereafter discover legal or equitable claims or remedies presently unknown or unsuspected, or facts in addition to or different from

those which they now know or believe to be true with respect to the allegations and subject matters in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program. Nevertheless, by operation of this Judgment, Releasors fully, finally, and forever settle and release all such matters, and all claims and causes of action relating thereto which exist, hereafter may exist, or might have existed (whether or not previously or currently asserted in this Lawsuit).

- D. Releasors expressly acknowledge certain principles of law applicable in some states, such as Section 1542 of the Civil Code of the State of California, which provide that a general release does not extend to claims that a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor. Notwithstanding the choice of law provision in the Agreement, to the extent that California or other law may be applicable and enforceable, Releasors hereby agree that the provisions of Section 1542 of the Civil Code of the State of California and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction that may be applicable here, are hereby knowingly and voluntarily waived and relinquished by Releasors, and Releasors agree and acknowledge that this provision is an essential term of the Agreement and this Release.
 - E. Releasors further agree that no third-party shall bring any Released Claims on behalf of any Releasor against any Releasee. Should any third-party do so, Releasors shall take all necessary action to secure the dismissal with prejudice of any such claim.
 - F. Nothing in this Release shall be deemed to release a Class Member's right to assert any claims or causes of action that arise from acts, facts, or circumstances arising exclusively after the entry of this Judgment, or preclude any action to enforce the terms of the Settlement Agreement.
 - G. This Release may be raised as a complete defense to and will preclude any action or proceeding that is encompassed by this Release. The terms of the Release provided by this Agreement are to be broadly construed in favor of Releasees and in favor of the complete resolution of all claims that were actually raised or that could have been raised in the Lawsuit, or that concern or relate in any way to the EGB or the EPR Program as described in subparagraph A above.
3. Except as otherwise provided in the Settlement Agreement and this Judgment, Plaintiffs and the Class Members shall take nothing in this Lawsuit and the Court hereby

dismisses the claims of Plaintiffs and the Class Members against Defendant with prejudice and without costs.

4. Class Counsel, jointly and severally, are entitled to be paid attorneys' fees, costs, and expenses in an amount equal to ____ % of the Total Settlement Amount, *i.e.*, the amount of \$_____ from the Total Settlement Amount to be paid in accordance with the payment terms of the Settlement Agreement.

5. Named Plaintiffs, Marian R. Wagener and Donald F. Champoux, are each awarded \$3,000 as compensation for their contributions to the Class recovery to be paid from the Total Settlement Amount in accordance with the payment terms of the Settlement Agreement.

6. Without affecting the finality of this Judgment in any way, this Court will retain continuing jurisdiction over all Parties and Class Members solely for purposes of enforcing this Judgment and, pursuant to it, the Settlement Agreement, and may order any appropriate legal or equitable remedy necessary to enforce the terms of this Judgment and/or the Settlement Agreement.

7. This is a final and appealable judgment.

SO ORDERED.

Dated: _____, ___, 2008.

Royce C. Lamberth
Chief Judge, United States District Court

EXHIBIT G

Agreement Reached in AT&T Pension Calculation Lawsuit

AT&T Pension Plan Agrees to Pay \$16 Million Toward Claim that Plan Miscalculated Enhanced Benefits Offered In 2000 As Part of Early Retirement Window

WASHINGTON, D.C. ([DATE] 2008) – Attorneys for a class of participants in the AT&T Pension Plan today announced an agreement to settle a class action lawsuit filed in 2003 under which the Plan will pay a total of \$16 million to settle a claim that it miscalculated the pension benefits owed to some non-bargained (management) retirees of certain AT&T companies who retired under a 2000 early retirement window known as the Enhanced Pension and Retirement Program (“EPR”).

The federal court lawsuit in Washington, D.C., *Wagener, et al. v. SBC Pension Benefit Plan-NonBargained Program*, Civ. Action No. 03-00769 (D.D.C.) (RCL), alleged that the Plan (since renamed the AT&T Pension Plan), incorrectly omitted pay earned for work performed during an averaging period used as one component in the calculation of retirees’ pensions for retirees entitled to one of several pension options. The Plan denied liability and contended that the omission of the pay in question was authorized and consistent with the terms of the Plan. In 2004, the district court agreed that the Plan’s interpretation was reasonable and dismissed Plaintiffs’ claims. Plaintiffs appealed and in 2005 the District of Columbia Circuit Court of Appeals reversed the dismissal of the case and reinstated Plaintiffs’ claims. See *Wagener v. SBC Pension Benefit Plan—Non-Bargained Program*, 407 F.3d 395 (D.C. Cir. 2005). Following remand, the district court certified the case as a class action and for over two years, the Parties engaged in substantial discovery, filed and briefed various motions and filed amended pleadings. Near the completion of the discovery process, the Parties reached agreement on the terms of a settlement.

After the deduction of notice costs, and attorneys’ fees and compensation for the named plaintiffs in amounts to be determined by the Court, the net settlement benefit will be distributed to the approximately 3,800 plan participant class members and their beneficiaries on a pro rata basis (using the Plan’s fall 2001 estimates of participants’ benefits compared to the overall amount paid to those participants as a group). The net average additional payment, calculated as a lump sum, that each plan participant class member and his or her beneficiaries is expected to receive is approximately \$2,900.00. The vast majority of participants and their beneficiaries will be able to elect to receive a tax-qualified additional lump sum payment. A small number of participants and their beneficiaries, those who originally received tax-qualified annuities, will have the option of taking an increased monthly annuity or a one-time qualified lump sum payment. About 10% of plan participant class members or their beneficiaries will receive a non-tax qualified lump sum.

To become effective, the agreement must be both preliminarily and finally approved by Chief Judge Royce C. Lamberth of the United States District Court for the District of Columbia. As part of the agreement, a second case, pending in the Western District of Texas, *Calder, et al. v. AT&T, Inc., et al.*, 07-cv-00340-XR (W.D. Tex.), brought on behalf of the class raising other claims seeking the same relief, will also be dismissed with prejudice.

Eli Gottesdiener, one of the attorneys for plaintiffs and the class, hailed the settlement as an “excellent result given the very real risk the class could have ended up with no additional benefits had we litigated the case to judgment. Frankly, these are difficult cases to win.”

Class members can obtain more information about the settlement from Class Counsel or at the following website: www.EPRClassAction.com.

Plaintiffs and the Class are represented by attorneys Eli Gottesdiener, Gottesdiener Law Firm, PLLC, Washington, D.C. and New York, and Marc I. Machiz, Cohen, Milstein, Hausfeld & Toll, PLLC, Philadelphia, PA.

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

MARIAN R. WAGENER and	§
DONALD F. CHAMPOUX, <i>et al.</i>	§
Plaintiffs	§
v.	§
SBC PENSION BENEFIT PLAN—NON	§
BARGAINED PROGRAM	§
Defendant.	§

C.A. No. 1:03CV00769 (RCL)

**ORDER PRELIMINARILY APPROVING SETTLEMENT AND APPROVING NOTICE
TO THE CLASS**

WHEREAS, Plaintiffs, Marian R. Wagener and Donald F. Champoux, individually and on behalf of the Class they represent, and Defendant SBC Pension Benefit Plan—Non Bargained Program (“Plan”), have determined to settle the above-captioned matter (the “Lawsuit”) on the terms and conditions set forth in the Class Settlement Agreement dated July 28, 2008 (the “Settlement”), the original of which is filed with the Clerk of the Court;

WHEREAS, Plaintiffs and Defendant have moved, pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, for an Order, *inter alia*, preliminarily approving the settlement in accordance with the terms of the Settlement, and providing for Notice to the Class;

WHEREAS, the Court, having read and considered the Settlement and the exhibits thereto, including the proposed (i) Notice to the Class and (ii) the Final Order and Judgment, finds that substantial and sufficient grounds exist for entering this preliminary approval Order; and

WHEREAS, upon review and consideration of the Settlement, the allegations in the Complaint, and the memorandum of points and legal authorities submitted in support of the Joint

Motion for an Order Preliminarily Approving Settlement and Approving Notice to the Class, the Court has found good cause for entering the following Order.

THEREFORE, IT IS ORDERED THAT:

1. The definitions and terms set forth in the Settlement are hereby adopted and incorporated into this Order.

2. The proposed Settlement is hereby preliminarily approved. The Court finds that the proposed Settlement is fair, reasonable, and adequate; is the product of informed arm's length negotiation by counsel; contains no obvious deficiencies that would prevent preliminary Court approval or, ultimately, final Court approval; and is thus within the range of possible approval. Accordingly, notice thereof should be given to the Class Members.

3. The Court's preliminary approval of the settlement of this class action on the terms set forth in the Settlement shall be subject to further consideration at a hearing to be held before this Court on _____, 2008 at ____ (the "Fairness Hearing"). The Court will determine at or following the Fairness Hearing whether the proposed settlement of the Lawsuit on the terms and conditions provided for in the Settlement is fair, reasonable, and adequate and should be finally approved by the Court, the amount of attorneys' fees, costs, and expenses that should be awarded to Class Counsel pursuant to Rule 23(h) of the Federal Rules of Civil Procedure, and the amount to be awarded to Named Plaintiffs for their contributions to the Class. The Court may adjourn and/or reset the Fairness Hearing without further notice to the Class Members other than by announcement at the Fairness Hearing.

4. The Court approves the form and substance of the several forms of notice to the Class (collectively "Notice") which are attached to the Settlement as exhibits. The Court finds that the procedures established for Notice by the Settlement are the best practicable and are

reasonably calculated, under all the circumstances, to apprise the Class Members of the pendency of this Lawsuit and the Settlement, afford any Class Member an opportunity to present his objections to Settlement, and comply in all respects with Rule 23 of the Federal Rules of Civil Procedure and all the requirements of due process. In connection with providing Notice to the Class, Class Counsel shall create and maintain at their expense a password protected webpage on which a redacted copy of the Plan Participant List will be published (comprising only the name of each Listed Plan Participant in alphabetical order) on a read-only basis to prevent downloading and printing of the redacted copy of the Plan Participant List from the webpage.

5. Complete Claims Solutions, LLC is hereby appointed as Claims Administrator, and shall be responsible for providing Notice of the preliminarily approved Settlement in accordance with the provisions of the Settlement and this Order.

A. The Qualified Notice for those receiving a qualified lump sum benefit, the Qualified Notice for those receiving a qualified annuity benefit, the Qualified/Non-Qualified Notice for those receiving settlement proceeds in the form of both types of benefits, and the Non-Qualified Notice for those receiving a non-qualified benefit, substantially in the form attached as Exhibits B, C, and D respectively to the Settlement Agreement, shall be provided by Defendant to the Claims Administrator within three (3) business days of entry of this Order, each including the estimated amount of the Qualified and/or Non-Qualified Settlement Benefit to be paid to each Known Class Member, and shall be mailed by the Claims Administrator to all Class Members, by first-class mail, postage pre-paid, beginning no later than twenty-one (21) days after the entry of this Order; all such mailing shall be completed no later than thirty (30) days after the entry of this Order. The appropriate notices shall be sent to all Class Members at their

last known addresses with address updating and verification where reasonably available. Defendant shall provide Class Counsel and the Claims Administrator within three (3) business days of entry of this Order the best addresses it has for each Class Member. The Claims Administrator will check such addresses against the National Change of Address database. The Claims Administrator shall, at least seven (7) days prior to the Fairness Hearing, file with the Court proof of mailing of the Notices to all Class Members.

B. The Publication Notice, substantially in the form attached as Exhibit E to the Settlement, shall be published in the *USA Today* within thirty (30) days of entry of this Order (or as soon thereafter as possible). The Claims Administrator shall, at least seven (7) days prior to the Fairness Hearing, file with the Court proof of such publication.

6. By no later than seven (7) days prior to the Fairness Hearing, Class Counsel and Defendant's Counsel shall file with the Court papers in support of final approval of the Settlement. By no later than twenty-eight (28) days prior to the Fairness Hearing, Class Counsel shall file an application for attorneys' fees and reimbursement of costs and expenses, and within three (3) business days thereafter, Class Counsel shall publish said application on the website dedicated to the lawsuit: www.EPRClassAction.com. Copies of all papers shall be served upon all persons or their counsel who file a valid and timely objection to the Settlement (as described below).

7. Any Class Member may appear at the Fairness Hearing, in person or by counsel, and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness, and adequacy of the Settlement, the application for an award of attorneys' fees, costs, and expenses to Class Counsel, and the compensation to be awarded to Named Plaintiffs. Unless such requirement is excused by the Court, no person shall be heard in opposition to the Settlement, the

application for an award of attorneys' fees, costs, and expenses to Class Counsel, or to Named Plaintiffs' Compensation unless, on or before fourteen (14) days prior to the Fairness Hearing, such person files with the Clerk of the Court a notice of an intention to appear and provides a written statement that indicates all bases for objection, all documentation in support of the objection, and legal authority, if any, supporting the objection. Copies of such notice, statement, and documentation, together with copies of any other papers or briefs filed with the Court, must be simultaneously delivered to Class Counsel and Defendant's Counsel. Any Class Member who does not object in the foregoing manner shall be deemed to have waived all objections and shall be foreclosed from making any objections to the Settlement.

8. The Court reserves the right to adjourn and/or reset the Fairness Hearing without further notice of any kind; therefore, any Class Member intending to attend the Fairness Hearing should (in addition to complying with all instructions and requirements above) confirm the date, time, and location of the Fairness Hearing with Class Counsel.

9. If the Court finally approves the Settlement, all Class Members shall be bound by all the provisions of the Settlement and all determinations and judgments in this Lawsuit, including the Final Order and Judgment dismissing the Lawsuit with prejudice. No Class Member may opt-out of the Settlement.

10. Pending the final determination of whether the Settlement should be approved, all proceedings and discovery in this Lawsuit are stayed, except as specifically provided for in this Order. If the Settlement is terminated, the Settlement is not finally approved by the Court, or the Effective Date does not for any reason occur, the stay of the Lawsuit shall be immediately terminated. The parties shall, as soon thereafter as possible, request a new Scheduling Order from the Court.

11. Pending the final determination of whether the Settlement should be approved, Plaintiffs and each Class Member shall be enjoined from commencing or prosecuting, either directly or indirectly, any action in any other court concerning or relating to any of the Released Claims. Such injunction shall remain in force until the Effective Date or until such time as Plaintiffs and Defendant notify the Court that the Settlement has been terminated.

12. If the Settlement is finally approved by the Court, the Court shall retain exclusive jurisdiction over Plaintiffs, Defendant, the Class Members, and the Lawsuit, in each case only with respect to matters arising out of, or connected with, the Settlement, and may issue such orders as necessary to implement the terms of the Settlement. The Court may approve the Settlement, with such modifications as may be agreed to by Plaintiffs and Defendant, if appropriate, without further notice to the Class Members.

SO ORDERED.

Dated: _____, __, 2008.

Royce C. Lamberth
Chief Judge, United States District Court

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