

IN THE CIRCUIT COURT
OF THE CITY OF ST. LOUIS,
STATE OF MISSOURI

FILED
JUN 26 2009

MARIANO V. FAVAZZA
CLERK, CIRCUIT COURT
BY _____ DEPUTY

STATE OF MISSOURI, at the relation and
to the use of the CITY COLLECTORS OF
WELLSTON and WINCHESTER, MISSOURI;
CITY OF UNIVERSITY CITY, MISSOURI;
CITY OF WELLSTON, MISSOURI; and
CITY OF WINCHESTER, MISSOURI;

On behalf of themselves and all
others similarly situated,

Plaintiffs,

v.

SBC COMMUNICATIONS, INC. n/k/a AT&T,
INC.; SBC LONG DISTANCE INC., f/k/a
SBC COMMUNICATIONS SERVICES, INC.;
SOUTHWESTERN BELL TELEPHONE, L.P.,
d/b/a AT&T MISSOURI;
and SBC LONG DISTANCE, LLC;

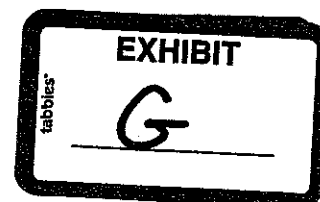
Defendants.

Cause No. 044-02645

Division No. 31

SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into, subject to Court approval, as of June 26, 2009, by and amongst the City of University City, Missouri, the City of Winchester, Missouri, and the City of Wellston, Missouri (collectively "Plaintiffs"), on behalf of the Settlement Class (as defined below), and Southwestern Bell Telephone Company d/b/a AT&T Missouri, f/k/a Southwestern Bell Telephone, L.P., SBC Long Distance, LLC d/b/a AT&T Long Distance, AT&T Messaging, Inc., AT&T Inc., American Information Technologies Corporation (Nevada), American Telephone and Telegraph Company, Ameritech Information Industry Services, Inc., Ameritech Publishing, Inc., Ameritech Services, Inc., AT&T Advanced Solutions,



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

Notwithstanding anything to the contrary herein, those AT&T Inc. subsidiaries governed by the wireless settlement agreement in *City of University City, et al. v. AT&T Wireless Services, Inc., et al.*, Case No. 01-CC-004454, Circuit Court of St. Louis County, are expressly excluded from this Settlement Agreement. Their obligations to the Municipalities are not affected or altered by this Agreement in any respect.

PREAMBLE

WHEREAS, a dispute has arisen between Plaintiffs and Defendants regarding the applicability of Plaintiffs' and other Municipalities' respective Business License Tax ordinances to receipts from certain of Defendants' products and services;

WHEREAS, Plaintiffs claim that Defendants are liable to Plaintiffs and other Municipalities under their respective Business License Tax ordinances on revenues derived from Carrier Access (interstate and intrastate), End User Common Line surcharges ("EUCL"), private line services (interstate and intrastate), long-distance toll services (interstate and intrastate), federal and state universal service fee surcharges ("FUSF" and "SUSF"), and other revenues upon which Business License Taxes are not currently being paid by Defendants, and for interest and/or penalties thereon;

WHEREAS, Defendants have denied and continue to deny any and all liability with respect to the allegations raised against them in the various lawsuits involving the applicability of Plaintiffs' and other Municipalities' respective Business License Tax ordinances to Defendants' products and services;

WHEREAS, Defendants and Plaintiffs and other Municipalities wish to avoid the expense and uncertainty of continued litigation and desire to settle their disputes without further litigation, including all claims and issues that have been brought or could have been brought in this Action by or on behalf of Class Members, including by compromising Defendants' alleged past tax liability owed to Class Members, and establishing and/or clarifying what taxes Defendants are to pay on their future revenues to Class Members, all in accordance with the terms and conditions set forth in this Settlement Agreement;

WHEREAS, Defendants and Plaintiffs have conducted an investigation and evaluation of the facts and law relating to the claims in this Action and believe this settlement is fair, reasonable, adequate, and in the best interests of the Parties, including the Settlement Class, in light of the continued uncertainty and expense of litigation; and

WHEREAS, after arm's-length negotiations between counsel for Plaintiffs and the proposed Settlement Class and counsel for Defendants, this Settlement Agreement has been reached.

NOW THEREFORE, it is hereby stipulated and agreed that, in consideration of the agreements, promises, and covenants set forth in this Settlement Agreement, and subject to approval of the Court, this Action shall be fully and finally settled and dismissed with prejudice and without costs to Defendants except as provided for under the following terms and conditions:

I. DEFINITIONS

As used in this Settlement Agreement and the related documents attached hereto as exhibits, the following terms shall have the meanings set forth below:

- A. "Action" means the civil action entitled *State of Missouri, et al., v. SBC Communications, Inc., et al.*, Cause No. 044-02645, pending in the Circuit Court of the City of St. Louis, Missouri.
- B. "Approved Claim" means a Claim Form determined to be valid in accordance with Section IV.F. or as resolved in favor of a Claimant pursuant to Sections IV.G. or IV.H.
- C. "Business License Tax" means any tax, including any fee, charge, or assessment in the nature of a tax, imposed by a Municipality on any entity which constitutes a "telephone company," "exchange telephone company," "telecommunications company," "public utility," "utility," or any similar entity or service provider for the privilege of

engaging in the business of providing telephone, exchange telephone, public utility, or any other type of telecommunications service, and specifically includes any such tax imposed under §§ 80.090, 92.045, 92.073, 94.110, 94.270, or 94.360 RSMo, or under authority granted in its charter, as well as an occupation license tax, gross receipts tax, franchise tax, or similar tax, or any tax "alternative" to any of the foregoing, but shall not include:

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

D. "Carrier Access" means a service provided by any Defendant whereby it originates or terminates long-distance traffic for other telecommunications carriers. It does not include EUCL, intraLATA toll charges and services, and other surcharges, products and services that Defendants have agreed to include as a Future Tax Benefit under Section II.A.2 herein.

- E. **"Claim Form"** means the document substantially in the form of Exhibit B to this Settlement Agreement that must be submitted by each Class Member in order to be eligible to receive, in settlement, the Back Tax Payment.
- F. **"Claim Period"** means that period of time commencing on the entry of the Preliminary Approval Order and continuing up to and including the date that is sixty (60) days after Defendants mail the Notice to Municipalities as set forth in Section III.C. below, and by which members of the Settlement Class must mail their Claim Forms (including all associated documentation) to Defendants and must otherwise meet all requirements hereunder to be entitled to the Back Tax Payment.
- G. **"Class Counsel"** means John W. Hoffman and Douglas R. Sprong, Korein Tillery, LLC, 505 N. Seventh Street, Suite 3600, St. Louis, MO 63101; John F. Mulligan, Jr., 1600 South Hanley, Suite 101, Richmond Heights, MO 63144; and Howard Paperner, 9322 Manchester Road, St. Louis, MO 63119.
- H. **"Class Member"** or **"Class Members"** means Plaintiffs and all Municipalities which fall within the definition of the Settlement Class, set forth herein, and which have not validly and timely submitted a Request for Exclusion from the Settlement Class.
- I. **"Class Representatives"** means the City of University City, Missouri, City of Winchester, Missouri, and City of Wellston, Missouri.
- J. **"Court"** means the Circuit Court of the City of St. Louis.
- K. **"Defendants"** mean (1) Southwestern Bell Telephone Company d/b/a AT&T Missouri, SBC Long Distance, LLC d/b/a AT&T Long Distance, AT&T Messaging, Inc., AT&T Inc., American Information Technologies Corporation (Nevada), American Telephone and Telegraph Company, Ameritech Information Industry Services, Inc., Ameritech Publishing, Inc.,

Ameritech Services, Inc., AT&T Advanced Solutions, Inc. (now merged into AT&T Corp.), AT&T Advertising, L.P., AT&T Broadband Services Purchasing and Leasing, LLC, AT&T Capital Holdings International, Inc., AT&T Capital Holdings, Inc., AT&T Capital Services, Inc., AT&T Communications - East, Inc., AT&T Communications of the Southwest, Inc., AT&T Consulting Solutions, Inc., AT&T Corp., AT&T Credit Holdings, Inc., AT&T DataComm, Inc., AT&T Foundation, AT&T Global Network Services, LLC, AT&T Government Solutions, Inc., AT&T Information Systems, Inc., AT&T Labs, Inc., AT&T Management Services, L.P., AT&T Messaging, LLC, AT&T Network Procurement L.P., AT&T Operations, Inc., AT&T Services, Inc., AT&T Solutions, Inc., AT&T Technical Services Company, Inc., AT&T Technologies, Inc., AT&T Video Services, Inc., Bell South Long Distance, Inc. d/b/a AT&T Long Distance Service, L.M. Berry & Company, Missouri Bell Telephone Company, Pacific Bell Telephone Company, Resort WiFi Operating Corp., SBC Asset Management, Inc., SBC Global Services, Inc., SBC Internet Services, Inc., SBC Telecom, Inc., SBC Tower Holdings LLC, SBCSI Purchasing & Leasing Limited Partnership, SNET of America, Inc. d/b/a AT&T Long Distance East, Southwestern Bell Yellow Pages, Inc., Southwestern Bell Yellow Pages Resources, Inc., Sterling Commerce (America), Inc., Sterling Commerce, Inc., SWBT Purchasing & Leasing Limited Partnership, TCG America, Inc., TCG Kansas City, Inc., TCG St. Louis, Inc., Teleport Communications Group, Inc., Wayport, Inc., and YellowPages.com, LLC; (2) all Persons on whose behalf any of the foregoing entities acted or purported to act; and (3) for each of the foregoing Persons and entities, each of their present, former, or future officers, directors, shareholders, employees, representatives, agents, principals, consultants, contractors, insurers, accountants, attorneys, partners, members, administrators, legatees, executors, heirs, estates, successors in interest, or assigns or any other Person or entity with whom any of them is

affiliated or otherwise for whom any of them is responsible at law or in equity. For purposes of clarification, the term "Defendants" shall not include those AT&T Inc. subsidiaries governed by the wireless settlement agreement in *City of University City, et al. v. AT&T Wireless Services, Inc., et al.*, Case No. 01-CC-004454, Circuit Court of St. Louis County.

L. **"Defendants' Counsel"** means John F. Medler, Jr., AT&T Legal Department, One AT&T Center, Room 3558, St. Louis, MO 63101, and Stephen B. Higgins, Amanda J. Hettinger, Sharon B. Rosenberg, and Ann Ahrens Beck, Thompson Coburn, LLP, One US Bank Plaza, St. Louis, MO 63101.

M. **"Effective Date of Future Tax Benefit(s)"** means November 1, 2009.

N. **"Effective Date of the Settlement"** means the first day by which all of the following events shall have occurred: (1) the Court has entered the Preliminary Approval Order as set forth in Section VII.C. of this Settlement Agreement; (2) the Court has entered the Order and Judgment of Dismissal, substantially in the form of Exhibit D, as set forth in Section VII.F. of this Settlement Agreement; and (3) the Order and Judgment of Dismissal has become Final as defined in Section I.P. of this Settlement Agreement.

O. **"Fee and Expense Application"** means that written motion or application by which Class Counsel requests that the Court award them fees and/or expenses.

P. **"Final"** with respect to the Order and Judgment of Dismissal (as defined in Section I.U. of this Settlement Agreement) means the occurrence of all of the following events:

1. This Settlement is approved in all respects by the Court;
2. The Court has entered the Order and Judgment of Dismissal, or a judgment substantially in the form of Exhibit D, which has not been reversed, stayed, modified, or amended; and

3. The time to appeal from the Court's Order and Judgment of Dismissal under the Missouri Supreme Court Rules has expired and no appeal or further appeal has been timely filed, or any appeal has been resolved by the highest court to which it was appealed upholding or affirming the Order and Judgment of Dismissal. An appeal pertaining solely to an application for or award of attorneys' fees, costs, and expenses, shall not in any way delay or preclude the Order and Judgment of Dismissal from being Final.

Q. "Final Fairness Hearing" means the hearing at which the Court shall: (1) determine whether to grant final approval to this Settlement Agreement; (2) consider any timely objections to this Settlement and all responses to objections by the Parties; and (3) rule on any Fee and Expense Application.

R. "Municipality" means any city, town, or village in Missouri entitled by authority of §§ 80.090, 92.045, 92.073, 94.110, 94.270, or 94.360 RSMo, or under authority granted in its charter, to assess a Business License Tax, and who has in fact enacted an ordinance or adopted a code assessing a Business License Tax prior to June 26, 2009.

S. "Notice" means the notice of class action settlement attached as Exhibit A.

T. "Objection Date" means the postmark date by which members of the Settlement Class must mail their objections to the Settlement in order for their objections to be considered by the Court.

U. "Order and Judgment of Dismissal" means the order, substantially in the form attached hereto as Exhibit D, in which the Court grants final approval of this Settlement Agreement and authorizes the entry of a final judgment and dismissal of the Action.

V. "Parties" means Defendants and the Class Members.

W. "Person" or "Persons" means any natural person, firm, corporation, unincorporated association, partnership, or other form of legal entity or government body, including its agents and representatives.

X. "Preliminary Approval Order" means the order, substantially in the form of Exhibit C hereto, in which the Court grants its preliminary approval to this Settlement Agreement, approves Plaintiffs as Class Representatives, preliminary approves certification of the Settlement Class for settlement purposes only, authorizes the dissemination of Notice to Missouri municipalities, and enjoins members of the Settlement Class from filing any other actions based upon any of the Released Claims as defined in Section I.Y.

Y. "Released Claims" means, without limitation, any and all claims, actions, demands, audits, rights, liabilities, complaints, causes of action (including, but not limited to, claims based on violation of any federal, state, or local law or regulation, fraud, unjust enrichment, unpaid taxes, back tax liability, and breach of contract, and claims arising under the laws of any other jurisdiction that have been or could or might have been alleged by any Class Member in any form in the United States of America, as part of the present Action, or in any other action, arbitration, or proceeding), requests for damages, requests for injunctive relief, disgorgement of monies, requests for declaratory relief, requests for equitable relief of every nature and description whatsoever, requests for interest, penalties, attorneys' fees, costs, and expenses, whether known or unknown, arising out of the claims that were made or that could have been made against Defendants regarding the alleged failure of Defendants to pay, or the alleged underpayment by Defendants of, the Class Members' respective Business License Taxes, as applied to receipts due before June 26, 2009, or due after June 26, 2009, with respect to any receipts earned before June 26, 2009, from services: (1) alleged to be telephone,

telecommunications, exchange telephone, public utility, and similar services; and/or (2) alleged to be related to such services, including but not limited to, receipts from Carrier Access (switched and special, interstate and intrastate), EUCL, private line service (interstate and intrastate), long-distance toll (intra LATA and inter LATA, intrastate and interstate), FUSF and SUSF, all other fees and/or taxes, CallNotes ® voice messaging services, data services, information services, voice services, Customer Premises Equipment ("CPE"), rental or lease of network elements, wireless access, reciprocal compensation, directory and operator services, operator surcharges, dishonored fees and late fees, trunks, installation services, construction services, repair services, security services, advertising services, call blocking services, vertical services, call screening services, adjustments and credits, third-party billing services, charges for allowing customers to call outside a local area or into a local area (including, but not limited to, Outside the Base Rate Area ("OBRA") charges, Metropolitan Calling Area ("MCA") charges, optional Extended Area Service ("EAS") charges, and non-optional EAS charges), Voice-over-Internet-Protocol services and calling plans, inside wire and jack maintenance plans, surcharges for prison inmate calling, payphone services, Lifeline services, deaf relay services, 1-900 services, call forwarding services, network services, number portability charges and surcharges, all services billed out of the Defendants' CRIS or CABS databases or similar databases, and other similar services. Plaintiffs and the other Class Members expressly acknowledge that "Released Claims" include, and this Settlement Agreement constitutes a release of, any and all claims that a Class Member does not know or suspect to exist in its favor at the time of the release, which, if known by it, might have affected its settlement with and release of Defendants or might have affected its decision whether to object or participate in this Settlement Agreement or any portion or aspect of the Settlement Agreement reached by the Parties.

Z. "Releasing Parties" means Plaintiffs and each other Class Member.

AA. "Request for Exclusion" means a request, made in compliance with the terms and conditions provided in this Agreement, by a Municipality to opt out of the Settlement Class as set forth in Section VII.D.

BB. "Revenues Derived From Interstate Services" means revenues derived from, among other items, interstate telephone service and interstate private line service. It does not include revenues derived from intraLATA interstate telephone service.

CC. "Settlement Agreement," "Settlement," or "Agreement" means this Settlement Agreement, including the attached Exhibits.

DD. "Settlement Class" means the class certified for settlement purposes only, pursuant to the Order and Judgment of Dismissal, consisting of all Municipalities in the State of Missouri that, on or before June ~~2~~²⁶, 2009, have imposed a Business License Tax, and in which AT&T Missouri or SBC Long Distance, LLC derived gross receipts from the provision of telephone, exchange telephone, public utility, or telecommunications services, or related services. Excluded from the Settlement Class is the City of Springfield, Missouri.

EE. "Back Tax Payment" means, with respect to each Class Member other than the City of St. Louis, Missouri, an amount calculated under the formula set forth in Exhibit G.

A schedule of the Back Tax Payment each Class Member is estimated to receive, to the extent it has timely and validly submitted a Claim Form, as set forth in Section IV.E., below, is attached as Exhibit E. Because the City of St. Louis has previously entered into a settlement agreement over Business License Taxes, the City of St. Louis will not be entitled to the Back Tax Payment, although the City of St. Louis, Missouri will be entitled to the Future Tax Benefit as set forth in Section II.A.2. upon execution of a mutually satisfactory amendment to, or a

termination of, the settlement agreement entered into between the City of St. Louis and AT&T Missouri on September 3, 1998. Because the amount payable under the City of Cape Girardeau's ordinance is capped and AT&T Missouri already has paid that amount, the City of Cape Girardeau will be entitled to the Back Tax Payment only with respect to SBC Long Distance, L.L.C., although the City of Cape Girardeau will be entitled to Future Tax Benefits as provided by this Agreement.

FF. "Total Back Tax Payment" means \$65 million, inclusive of attorneys' fees, to be divided among (1) the Class Members which have timely and validly submitted a Claim Form, as set forth in Section IV.E., below, (2) St. Louis County, pursuant to a separate agreement between St. Louis County and Defendants, and (3) Class Counsel. Any amount that is not paid because a Municipality validly and timely objects to the Settlement or fails to submit a valid Claim Form as set forth in Section IV.E. below shall be retained by Defendants, but it shall not serve to reduce the Back Tax Payment of any Class Member nor the amount of the Agreed Fees nor St. Louis County's share of the Total Back Tax Payment under its separate settlement agreement. AT&T Missouri and SBC Long Distance LLC shall pay St. Louis County its share of the Total Back Tax Payment pursuant to a separate agreement between St. Louis County and Defendants.

II. SETTLEMENT CLASS RELIEF

In consideration of a full, complete, and final settlement of this Action, and in consideration of dismissal of the Action with prejudice with respect to Defendants and the Releases and Dismissals in Section VI. below, and subject to the Court's approval, the Parties agree to the following:

A. Class Benefit

1. Back Tax Benefit

AT&T Missouri and SBC Long Distance, LLC shall collectively make a Back Tax Payment to each Class Member (other than the City of St. Louis, Missouri, which is not entitled to any Back Tax Payment due to a previous settlement) which has submitted an Approved Claim Form. Said payment shall be made on or before the later to occur of: (i) ten (10) days after submission of the Approved Claim Form and acceptance of this Settlement Agreement; or (ii) ten (10) days after the Effective Date of this Settlement. Neither AT&T Inc., AT&T Messaging, Inc., nor any AT&T Inc. subsidiary other than AT&T Missouri and SBC Long Distance, LLC shall have any obligation to make Back Tax Payments. Plaintiffs and Class Members agree that the consideration paid by AT&T Missouri and SBC Long Distance, LLC is sufficient consideration to support a valid and binding settlement agreement and a full release of back tax liability for those entities, as well as themselves.

2. Future Tax Benefit

Beginning on the Effective Date of Future Tax Benefits, both AT&T Missouri and SBC Long Distance, LLC, and any Defendants providing similar services, shall pay, going forward, to each Class Member future Business License Taxes as follows:

a. *AT&T Missouri*

With respect to AT&T Missouri, the Business License Tax code or ordinance of each Class Member shall be interpreted, beginning on the Effective Date of Future Tax Benefits, to apply to: (i) revenues upon which AT&T Missouri already pays a Business License Tax to that Class Member; **PLUS** (ii) revenues from any additional services that are subject to Missouri's state sales tax on "telecommunications service" as that term is used in § 144.010.1(13), as

restricted by § 144.030.1 RSMo; PLUS (iii) revenues as described in section (ii) above from any retail customer which would otherwise be subject to the Missouri state sales tax but for an exemption for such customer from the state sales tax (e.g., not-for-profits under § 144.030.2(19) RSMo). Services subject to the Business License Tax shall include, but not be limited to, FUSF, SUSF, intraLATA toll service, EUCL, and intrastate private line. Services subject to the Business License Tax shall not include, inter alia, Carrier Access, Revenues Derived From Interstate Services, except as otherwise provided in subsection c. below (although AT&T Missouri agrees to pay the Business License Tax on revenues from intraLATA interstate telephone service), Call Notes voice messaging services, and CPE. For purposes of clarification only, AT&T Missouri acknowledges that it will include receipts from Business License Tax surcharges in the Business License Tax base.

However, any Class Member whose Business License Tax is limited to a particular type of customer – for example, a business customer only – shall retain such limitation until changed as provided by law. And, any Class Member whose Business License Tax explicitly exempts a revenue or service by name that would otherwise qualify as a Future Tax Benefit under this Agreement shall retain such exemption until changed as provided by law, provided that no such exemption shall apply to (1) revenues described in II.A.2.(a)(i) above or (2) EUCL. A list of such exemptions is attached hereto as Exhibit F. If a Class Member listed on Exhibit F as having an exemption for intrastate toll enacts an ordinance clarifying that the long-distance exclusion in its current Business License Tax ordinance applies only to interstate long-distance, and includes a certified copy of this clarifying ordinance with its Claim Form or if the Class Member is not required to submit a Claim Form due to a separate agreement with Defendants, provides a certified copy of this clarifying ordinance to Defendant no later than October 1, 2009, the

exemption in Exhibit F as to intrastate toll shall not apply to said Class Member. If a Class Member passes such a clarifying ordinance after submitting its Claim Form, or if a Class Member which is not required to submit a Claim Form due to a separate agreement with Defendants passes a clarifying ordinance after October 1, 2009, the exemption in Exhibit F as to intrastate toll shall cease to apply six months from the date on which the Class Member presents AT&T Missouri and SBC Long Distance, LLC with a certified copy of said clarifying ordinance.

b. SBC Long Distance, LLC

With respect to SBC Long Distance, LLC, the Business License Tax code or ordinance of each Class Member shall be interpreted, beginning on the Effective Date of Future Tax Benefits, to apply to: (i) revenues from services that are subject to Missouri's state sales tax on "telecommunications service" as that term is used in § 144.010.1(13) as restricted by § 144.030.1 RSMo; PLUS (ii) revenues as described in section (i) above from any retail customer which would otherwise be subject to the Missouri state sales tax but for an exemption for such customer from the state sales tax (e.g., not-for-profits under § 144.030.2(19) RSMo). Services subject to the Business License Tax shall include, but not be limited to, intrastate long-distance telephone services. Services subject to the Business License Tax shall not include, inter alia, interstate long-distance telephone services, except as otherwise provided in subsection c. below. For purposes of clarification only, SBC Long Distance, LLC acknowledges that, henceforth, it will include receipts from Business License Tax surcharges in the Business License Tax base.

However, any Class Member whose Business License Tax is limited to a particular type of customer – for example, a business customer only – shall retain such limitation until changed as provided by law. And, any Class Member whose Business License Tax explicitly exempts a revenue or service by name that would otherwise qualify as a Future Tax Benefit under this

Agreement shall retain such exemption until changed as provided by law. A list of such exemptions is attached hereto as Exhibit F. If a Class Member listed on Exhibit F as having an exemption for intrastate toll enacts an ordinance clarifying that the long-distance exclusion in its current Business License Tax ordinance applies only to interstate long-distance, and includes a certified copy of this clarifying ordinance with its Claim Form, the exemption in Exhibit F as to intrastate toll shall not apply to said Class Member. If a Class Member passes such a clarifying ordinance after submitting its Claim Form, the exemption in Exhibit F as to intrastate toll shall cease to apply six months from the date on which the Class Member presents AT&T Missouri and SBC Long Distance, LLC with a certified copy of said clarifying ordinance.

c. Bundled and Packaged Telephone Services

In the event Defendants, individually or collectively, receive revenues from bundled or packaged telephone services, whether intrastate or interstate, and such telephone services are not separately accounted for on an end-user's bill, Defendant(s) shall pay future Business License Taxes on such bundled and packaged telephone services consistent with 12 Mo. CSR 10-3.188(7) or any successor regulation.

d. Reservation of Rights

Notwithstanding anything to the contrary herein, the Parties agree all Class Members retain the right to audit and inspect the books and records of AT&T Missouri, SBC Long Distance, LLC, and any other Defendant entity to ensure compliance with this Agreement, and they do not waive or abrogate any right(s) they possess under their respective codes or ordinances. In the event a Class Member has reason to question compliance with this Agreement, and in particular to question whether a service is taxable pursuant to § 144.010.1(13), as restricted by § 144.030.1 RSMo, the Parties agree the Class Member reserves

all legal and equitable rights, including, but not limited to, the right to institute legal proceedings to enforce compliance with this Agreement.

e. Hancock Amendment

Nothing in this Settlement Agreement is intended to broaden any pre-existing Business License Tax base in violation of the Hancock Amendment to the Missouri Constitution.

f. Rates

Defendants agree to pay future Business License Taxes at the rates specified within each Class Member's Business License Tax code or ordinance, unless and until there is a change in law as specified in subsection g. below.

g. Change of Law

(i) Change of Law Altering Defendants' Future Obligations

The obligations of Defendants shall continue with respect to each Class Member unless and until: (1) a court or administrative or regulatory body of competent jurisdiction determines, or a Class Member specifies in writing after the date of execution of this Agreement, that such Class Member's Business License Tax does not apply to any or all of the subject services or gross receipts derived therefrom, and such determination is not subject to further appeal or the time to appeal has expired and no appeal or further appeal has been timely filed; (2) the Missouri General Assembly or other legislative body enacts constitutional legislation removing the authority of such Class Member to impose a Business License Tax to any or all of the subject services or gross receipts derived therefrom, and such legislation is in effect; (3) the Missouri Department of Revenue issues a final ruling that any service taxable pursuant to Sections II.A.2.a.(ii) and b.(i) of this Agreement is no longer subject to the state sales tax; or (4) any other constitutional change in law, including a change in the Class Member's Business License Tax

ordinance, occurs that affects the obligations of Defendants under this Section, in which case, the remaining obligations shall be consistent with such determination, legislation, or change.

Defendants shall not, in the case of any judgment, legislation, or other change of law as referred to above, be entitled to recover any sums paid which became due and owing prior to the finality of such judgment or effective date of such legislation or other change of law.

(ii) Change of Code or Ordinance

Nothing in this Settlement Agreement shall serve to restrict any Class Member from amending its ordinance or code in the future, in accordance with law, to tax or exclude from taxation any product or service covered by this Settlement Agreement. In the event a Class Member seeks to amend its ordinance or code to expand its municipal tax base, the Parties agree the Defendants reserve all legal and equitable rights, including, but not limited to, the right to institute legal proceedings to challenge the legality, application or enforcement of the amendment.

(iii) Change of Law for One City Applies to All Cities

In the event of:

(1) a settlement of or a final non-appealable judgment in City of Springfield v. Cingular Wireless LLC, et al., cause no. 04-CV-4099, currently pending in the U.S. District Court for the Western District of Missouri, at any time, or

(2) a settlement of or a final non-appealable judgment in another case within five years of the Effective Date of the Settlement, or

(3) a legislative change within five years of the Effective Date of the Settlement, and pursuant to which Defendants, individually or collectively, voluntarily or involuntarily, pay a Business License Tax to a Municipality in the future, and include or are required to include

receipts from a product or service excluded from this Settlement, then Defendants agree to treat all Class Members with substantially similar ordinances the same as the Municipality being paid and to pay taxes to all Class Members with substantially similar ordinances on the same receipt(s), at then-existing rates, if such Class Member has satisfied the preconditions set forth in Section II.B.2., unless such receipts are specifically and expressly excluded from taxation by such Class Member's Business License Tax ordinance. No Class Member shall, in case of any settlement, final non-appealable judgment, or legislative change referred to above, be entitled to recover back taxes on receipts from a product or service excluded from this Settlement earned prior to the finality of such settlement, non-appealable judgment, or legislative change.

Should a Class Member have reason to question Defendants' compliance with this provision, and in particular to question whether its ordinance is substantially similar to the ordinance of the Municipality being paid, the Parties agree the Class Member reserves all legal and equitable rights, including, but not limited to, the right to institute legal proceedings to enforce compliance with this provision. In the event enforcement action is taken, Defendants agree not to raise, assert, or seek Class Member compliance with § 71.675 RSMo (class action bar) and agree that § 71.675 RSMo shall not serve to restrict the method or manner of enforcement of this provision. Further, in the event it is determined that Defendants have breached this provision, either individually or collectively, then back taxes shall accrue and be payable from the date of the settlement, final non-appealable judgment, or legislative change.

Likewise, each Defendant, either individually or collectively, reserves all legal and equitable rights, including, but not limited to, the right to institute legal proceedings should it have reason to question whether any Class Member is entitled to payment pursuant to this provision. Further, the Parties agree that nothing in this paragraph shall serve to preclude a Class

Member from amending its Business License Tax code or ordinance in the future, as provided by law, so as to clarify or conform its code or ordinance to reflect any change in law.

The Parties agree that the promises and commitments contained in this section are vital provisions going to the very substance or root of the Settlement and that a failure or breach of such promises and commitments would constitute a material breach of this Settlement Agreement. In said event, each Class Member and each Defendant, either individually or collectively, would be entitled to all remedies available at law or in equity for such a material breach, including, but not limited to, rescission of this Settlement Agreement.

Similarly, in the event of:

- (1) a final, contested¹, non-appealable judgment in the case of City of Springfield v. Cingular Wireless LLC, et al., cause no. 04-CV-4099, currently pending in the U.S. District Court for the Western District of Missouri, at any time, or
- (2) a legislative change within five (5) years of the Effective Date of the Settlement,

and pursuant to which Defendants, individually or collectively, are relieved from paying, or are determined not to owe, Business License Taxes on receipts from a product or service that is specifically included within this Settlement, then Defendants may treat all Class Members with ordinances substantially similar to Springfield's ordinance the same, or conform its payments to the legislative change, as the case may be, and may refrain from paying Business License Taxes to all such Class Members on the same receipts, unless such receipts are specifically and expressly included in the tax base by the Class Member's Business License Tax ordinance and otherwise authorized by law.

¹ The term "contested," as used in this provision, is meant to exclude a settlement, consent judgment, consent decree, negotiated compromise, friendly suit, or similar resolution.

This provision (iii) shall not apply in the event Defendants' payment of a Business License Tax to any Municipality on revenues in addition to those listed in this Settlement Agreement is the result of any Municipality expanding the scope of its Business License Tax base through a legislative change or as otherwise authorized by law.

(iv) Separate Agreements with Class Members

If, before or after the Effective Date of this Agreement, Defendants, individually or collectively, enter into a written agreement with a representative of a Class Member that is enforceable by such Class Member and which serves to reduce the taxability of any service, fee, or product, or gross receipts derived therefrom, then such agreement shall supersede this Settlement Agreement, but only to the extent applicable, and Defendants shall pay such Class Member Business License Taxes pursuant to that separate written agreement. Such separate written agreement shall be binding on the parties to that agreement only, and shall not impact Defendants' Business License Tax payment(s) or obligation(s) to any other Class Member under this Agreement, notwithstanding the provisions of Section II.A.2.g.(iii).

However, if Defendants, individually or collectively, enter into a written agreement with a Class Member or a representative of a Class Member that is enforceable by such Class Member within five (5) years of the date of execution of this Agreement, and such agreement includes terms that are materially more favorable to the Class Member than to other Class Members, then Defendants shall promptly notify all Class Members of such agreement, and the other Class Members shall, at their discretion, have the right to amend this Agreement to take advantage of such more favorable terms. This provision shall only apply in the event any Class Member enters into an agreement with a Defendant that allows or requires such Defendant to pay prospective Business License Taxes without regard to exemption(s) or exclusion(s), or on

materially more favorable terms than those being paid by Defendants under this Agreement.²

In such case, Defendants shall on a going forward basis pay Business License Taxes to all similarly situated Class Members (except for those who instruct otherwise) at the same rate and/or on the same terms as those applicable to the Class Member(s) who reached the agreement(s).

h. New Products and Services

In the future, Defendants, individually or collectively, may develop new products and services. If they are taxable pursuant to Section II A.2., above, and in particular pursuant to § 144.010.1(13), as restricted by § 144.030.1 RSMo, then Defendants agree to include such products and services in the Business License Tax base and to pay Business License Taxes thereon to Class Members. In the event a Class Member has reason to question compliance with this provision, and in particular to question whether a product or service is taxable pursuant to § 144.010.1(13) RSMo, as restricted by § 144.030.1 RSMo, the Parties agree the Class Member reserves all legal and equitable rights, including, but not limited to, the right to institute legal proceedings to enforce compliance with this provision.

3. No Lobbying Missouri General Assembly

Defendants agree that, for a period of five (5) years from the date of execution of this Agreement, they will not seek or support legislation in the Missouri General Assembly that would (a) cap or reduce the Business License Taxes subject to this Settlement Agreement, (b) interfere with or reduce Class Members' rights under Sections II.A.2.g (ii) and (iii), or (c) exclude from the Business License Tax base sources of revenue agreed in this Settlement

² For purposes of clarification, this provision shall not apply in the event that Defendants, individually or collectively, agree to pay any Class Member's attorney on more favorable or different terms, and/ or agree to permit a Class Member to undergo a different claims process than is outlined herein.

Agreement to be included within the tax base. Nothing in this Section shall preclude Defendants from opposing any proposal to increase the rate or broaden the scope of a Municipality's Business License Tax. The Parties agree that the promises and commitments by Defendants contained in this Section are vital provisions going to the very substance or root of the Settlement and that failure or breach of such promises or commitments would constitute a material breach of this Settlement Agreement, entitling the Class Members to all remedies available at law or equity for such a material breach, including but not limited to rescission of this Agreement.

4. Interim Prospective Tax Payments

Any payments of Business License Taxes by AT&T Missouri made before the Effective Date of Future Tax Benefits shall be made in the same manner and on the same sources of revenue as AT&T Missouri has always made such payments. The obligation of SBC Long Distance, LLC to make any future tax payments shall not arise until the Effective Date of Future Tax Benefits. Neither Defendant shall have any liability to any Class Member, other than the obligations set forth in this Settlement Agreement, for any future tax payments until the Effective Date of Future Tax Benefits.

Any Business License Tax payment made by Defendants on or after the Effective Date of Future Tax Benefits, but before the Effective Date of the Settlement, to the extent identified by Defendants with such payment as incremental payments pursuant to Sections II.A.2.(a)(ii) and (iii) and II.A.2.(b) (each an "Interim Prospective Tax Payment"), shall be deemed to be made under protest within the meaning of § 139.031 RSMo, and to the tax collector of the Municipality, whether or not so designated by Defendants, with the grounds for the protest (which shall be deemed to accompany the payment in the form of a written protest statement) being those grounds set forth in Defendants' answer in the Action and such other grounds as

Defendants may designate in writing on or before the filing of any petition for refund of such payment. Each Class Member receiving an Interim Prospective Tax Payment agrees to segregate and hold those funds in a separate, interest-bearing bank account in accordance with § 139.031.2 RSMo, until disposition as provided herein. Upon the Effective Date of the Settlement, such funds shall be deemed released to each Class Member, free and clear of all claims, liens and encumbrances under § 139.031 RSMo, and this Agreement. In the event that the Settlement Agreement is nullified as set forth below in Section IX.L., Defendants may, within ninety (90) days following the date of such event, file an action to perfect their refund claim(s) for such funds in accordance with § 139.031 RSMo, and, notwithstanding any provision of law to the contrary, the statute of limitations as to such claim shall be tolled up to and including the date that is ninety (90) days after the date that the Settlement Agreement is nullified.

Notwithstanding any provision of this Section II.A.4. to the contrary, Defendants may make Interim Prospective Tax Payments under protest until the Effective Date of Settlement and/or may file tax protest litigation with respect to the Interim Prospective Tax Payments and otherwise perfect their protests with respect to the subject payments pending the occurrence of the Effective Date of Settlement. Such cases shall be (i) promptly dismissed in the event of the occurrence of the Effective Date of Settlement, or (ii) prosecuted in the discretion of Defendants in the event this Settlement Agreement is nullified pursuant to Section IX.L. below.

B. Most Favored Nation—Other Landline Providers Treated the Same

With respect to each Class Member provision 2. set forth below shall apply. With respect to each Class Member whose Back Tax Payment is equal to or greater than \$2,500 (and the City of St. Louis should it be entitled to a Future Tax Benefit as set forth in Section I.EE.), provisions 1., 3., and 4. set forth below shall also apply.

1. Non-Discrimination; Reasonable Efforts to Enforce

Class Members agree not to unconstitutionally discriminate among landline telephone providers, and to treat similarly-situated providers similarly. Accordingly, Class Members agree to use reasonable efforts to enforce their Business License Taxes in a similar way with respect to similarly-situated landline telephone providers, and to treat as taxable the same or similar revenue sources of such other landline providers as are taxable under this Agreement. Class Members further agree to take reasonable tax enforcement actions to ensure that all similarly-situated landline providers pay a Business License Tax in the same manner as Defendants are required to do so.

In the event a Class Member breaches this provision, each Defendant agrees that its remedy shall be limited to specific performance only.

2. Disclosures by Landline Providers

If any Class Member seeks to enforce any of the rights guaranteed by Section II.A.2.g(iii) of this Agreement, said Class Member, as a pre-condition of enforcing its rights under such Section, shall present proof to Defendants that it has, as part of its reasonable efforts under Section II. B. 1., adopted a rule requiring (in whatever manner or procedure authorized by statute, ordinance, city charter, or otherwise) all similarly-situated landline providers within the Class Member to file, at least once each year, a verified statement disclosing the revenue streams on which it pays or does not pay the municipality's Business License Tax. The revenue streams contained in such statement shall include, at minimum, substantially the following: FUSF, SUSF, intraLATA toll service, EUCL, intrastate long distance, fixed VoIP, and intrastate private line service, as well as any additional items the Class Member contends are taxable as a result of the application of Section II.A.2.g(iii).

3. More Favorable Settlements

If any Class Member that is bound by the terms of this Settlement Agreement settles claims regarding the alleged failure of another similarly-situated landline provider to pay Business License Taxes, and such settlement includes terms that are materially more favorable to the other provider than those set forth herein, such Class Member shall promptly notify Defendants of such agreement, and Defendants shall, at their discretion, have the right to amend this Agreement to take advantage of such more favorable terms with regard to the Class Member(s) who have reached such other settlement.

In the event a Class Member breaches this provision, Defendants agree they shall not be entitled to recover any sums paid which became due and owing prior to the date or occurrence of said breach.

With regard to Defendants' payment of Future Tax Benefits pursuant to Section II.A.2. above, this provision shall apply in the event any Class Member enters into an Agreement with another similarly-situated landline provider that allows such provider to pay prospective Business License Taxes on more favorable terms than those being paid by Defendants within five (5) years of the date of execution of this Agreement. In such case, Defendants shall be entitled on a going forward basis to pay Business License Taxes on the same terms as those applicable to such other provider. However, nothing in this section shall be construed to apply to another provider's payment of back Business License Taxes, or in any way affect Defendants' obligations to pay Back Tax Benefits under Section II.A.1. of this Agreement.

4. Specific Exemptions for Certain Landline Carriers

Notwithstanding anything to the contrary contained herein, Defendants agree that this Section B. (Most Favored Nation) shall not encompass any landline telephone provider while in

bankruptcy, nor shall the treatment of any landline telephone provider while in bankruptcy, either through action or inaction, serve to impose any obligations upon Class Members under this provision. For purposes of clarification, the terms "landline telephone provider" or "landline provider," as used in this Section B., do not include any company while in bankruptcy or any company having a market share of 10% or less as measured by the receipts subject to the Class Member's Business License Tax base.

C. Pass Through

The Class Members agree not to challenge the right of Defendants to pass through to their retail customers all or any part of the sums paid or to be paid to a Class Member under the Business License Tax ordinances and this Settlement Agreement.

III. NOTICE OF CLASS ACTION SETTLEMENT

Notice of the Settlement shall be provided to all Missouri municipalities as follows:

A. Notified Municipalities

Defendants shall send the Notice to every municipality in Missouri via first-class mail, addressed using reasonably available information and sources. Class Counsel will assist Defendants in identifying the name and address for each such municipality.

B. Amount of Back Tax Payment

Attached as Exhibit E is the calculation of the Back Tax Payment each Class Member is estimated to receive, assuming it has timely and validly submitted a Claim Form, as set forth in Section IV.E. below. These calculations have been reviewed and agreed upon by Class Counsel and Defendants, but they are subject to adjustment if Defendants approve an adjustment to the calculations pursuant to a Class Member's appeal to Defendants under Section IV.H. or otherwise. Prior to the mailing of the Notice, Class Counsel and the respective Class Member

may make inquiries of Defendants regarding the calculations of each Class Member's Back License Tax payment, and Defendants agree to respond to such inquiries in a timely manner and to confer in good faith to resolve any disputes concerning the amount of the Back License Tax payment.

C. Notice

Within twenty (20) days after the entry of the Preliminary Approval Order, and in accordance with the timetable established under the Preliminary Approval Order, Defendants shall mail the Notice together with a Claim Form, in the form attached hereto as Exhibit B, to each municipality as described in Section III.A. above. The Notice shall inform the municipalities of the conditional certification of the Settlement Class and the general terms of the Settlement Agreement, advise of the manner in which to opt out or object to the Settlement, and state the date and time of the Final Fairness Hearing. The Notice to each municipality shall also contain the calculation of the municipality's estimated share of the amount to be distributed pursuant to the Settlement, assuming the municipality submits a valid and timely Claim Form. Because the formula for calculating the Back Tax Payment depends on the calculations of each Class Member's 2008 Business License Tax payment, it is possible that a municipality's share of the amount to be distributed pursuant to the Settlement may change if the Defendants approve an adjustment to the calculations pursuant to a Class Member's appeal to Defendants under Section IV.H. or otherwise.

D. Website

Promptly after entry of the Preliminary Approval Order, and in accordance with the timetable established under the Preliminary Approval Order, Class Counsel shall post or cause to have posted the Settlement Agreement and template Notice and Claim Form and a Frequently

Asked Questions and Answers section on the Internet website of the Missouri Municipal League (www.mocities.com), said posting to be maintained from the first date of publication through the end of the Claim Period.

E. Best Notice Practicable

Compliance with the procedures described in this Section III is the best notice practicable under the circumstances and shall constitute due and sufficient notice to municipalities of the pendency of the Action, certification of the Settlement Class, the terms of the Settlement Agreement, and the Final Fairness Hearing, and shall satisfy the requirements of the Missouri Supreme Court Rules, the Constitution of the State of Missouri, the United States Constitution, and any other applicable law. This Settlement Agreement shall be binding even on municipalities not receiving the Notice.

IV. DISTRIBUTION OF SETTLEMENT CLASS RELIEF

A. Settlement Administration

Class Counsel or their designated agent(s) will cooperate to assist Defendants in performing all duties required of them pursuant to this Settlement Agreement, including, but not limited to, approving or rejecting Claim Forms; determining which Municipalities have filed valid and timely Claim Forms; and mailing checks, all as described below. Additionally, Defendants will be obligated to bring to the Court's attention for resolution any disputes that arise in the course of the settlement administration process and cannot be resolved by agreement between Defendants and Class Counsel.

B. Report on Requests for Exclusion

Within five (5) days of the last postmark date on which a Municipality shall be permitted to submit a Claim Form to be eligible for a Back Tax Payment, Defendants shall prepare and

file with the Court, after consultation with Class Counsel, a report identifying each Municipality which has mailed a Request for Exclusion. With respect to any Municipalities which do not submit a valid and timely Claim Form, such Municipalities will not be entitled to receive any Back Tax Payment.

C. Report on Members of the Settlement Class Ineligible To Receive Settlement Class Relief

Within five (5) days of the last postmark date on which a Municipality shall be permitted to submit a Claim Form or to resubmit a Claim Form as described herein, Defendants shall prepare and deliver to Class Counsel a report identifying all such Municipalities as well as those municipalities deemed by Defendants to be ineligible to receive the Back Tax Benefit under Section II.A.1. on account of any deficiency in their Claim Forms.

D. Acceptance of Settlement Agreement

Each Class Member, in order to be entitled to the Back Tax Payment, must, within the Claim Period, take all actions necessary to make this Settlement Agreement enforceable against such Class Member in accordance with Missouri law as well as local ordinances and enabling authority.

E. Claim Form

In order for a Class Member to receive the Back Tax Payment pursuant to Section II.A.1. of this Settlement Agreement, it must complete, sign and submit to Defendants by mail a hard copy of a Claim Form to the address specified on the Claim Form. The Claim Form will require the Class Member to provide the following:

1. the name, address and telephone number of the Class Member's duly authorized representative(s), to whom all inquiries regarding the Claim Form and Business License Tax may be directed;

2. **only if the Back Tax Payment for the Class Member is listed as \$0 on Exhibit E**, a certified copy of the ordinances or municipal code provisions imposing the Business License Tax pursuant to which Class Member believes it is entitled to a Back Tax Payment;
3. a certified copy of an ordinance enacted by the Class Member accepting all terms and provisions of this Settlement Agreement or, if the Class Member chooses to effect its acceptance of all terms and conditions of this Settlement Agreement by another accepted, legally binding method, copies of an acknowledgment that the Class Member agrees to be bound by the terms of this Settlement Agreement if approved by the Court, which acknowledgment shall describe the method used to accept this Settlement Agreement and shall be accompanied by an opinion of counsel, addressed to Defendants, that the Settlement Agreement, if approved by the Court, is a binding obligation of the Class Member; and
4. the name and address to which the Back Tax Payment shall be made and mailed.

The person submitting the Claim Form must certify that (i) the information contained in and submitted with the Claim Form is complete and accurate to the best of his/her and the Class Member's knowledge, after due inquiry; (ii) he/she is authorized to submit the Claim Form on behalf of the Class Member and to make the attendant representations on behalf of the Class Member; (iii) the Class Member agrees to be bound by the terms of this Settlement Agreement if

approved by the Court; and (iv) prior to submitting the Claim Form, the Class Member has taken all actions necessary for this Settlement Agreement to be enforceable against the Class Member.

All completed Claim Forms and required supporting documents must be mailed to the address designated by Defendants. The postmark deadline for submitting the Claim Form will be sixty (60) days from the date of the mailing of the Claim Form to the Class Member, unless an extension is agreed to by Defendants' Counsel and Class Counsel or permitted by the Court.

Subject to Section IV.H. below, submission of a Claim Form shall be deemed acceptance by the Class Member of Defendants' calculation of the Back Tax Payment as adequate consideration for the Released Claims and settlement of any back tax liability as set forth in this Settlement Agreement and such amounts shall not be open to further audit or dispute.

F. Approval and Rejection of Claim Forms

Defendants shall determine whether a Claim Form is valid based solely upon the responses provided to the questions set forth on the Claim Form, the documents provided with the Claim Form, and the postmarked date that the Claim Form is submitted. To be valid, a Claim Form must: (1) be fully completed, as set forth in Section IV.E.; (2) be certified by a duly authorized representative of the Class Member, as set forth in Section IV.E.; and (3) be timely mailed to Defendants. If Defendants reject a Claim Form, Defendants shall within thirty (30) days of receipt notify Class Counsel and the Class Member submitting the Claim Form of the rejection and the reasons for rejection in writing, as well as the procedure for challenging the rejection.

G. Procedures for Challenging Rejection of Claim Forms

Subject to Section IV.H., which provides the sole basis for a Class Member to challenge the amount of the Back Tax Payment, a Class Member that was notified by Defendants that its Claim Form was rejected pursuant to the preceding Section shall have the right to challenge the rejection under this Section IV.G. Such Class Member shall be permitted a period of thirty (30) days from the date of the mailing of the notice of rejection in which either to (a) resubmit the Claim Form to Defendants with any missing information necessary for the Claim Form to be approved, or (b) notify Defendants of its challenge to the rejection. Upon such notification, Defendants promptly shall notify Class Counsel, who then shall have the obligation to meet and confer with Defendants and representatives of the Class Member in question in an attempt consensually to resolve the challenge. Failing consensual resolution, Defendants shall notify the challenging Class Member that it may, within ten (10) days of receipt of such notice, present the challenge through its counsel to the Court; **provided, however**, that any dispute regarding the amount of the Back Tax Payment shall be handled pursuant to Section IV.H., and not pursuant to this Section IV.G. A claim by a municipality disputing a zero Back Tax Payment shall be reviewed under this paragraph rather than under Section IV.H.

H. Disputes as to Amount of Back Tax Payment

In the event a Class Member disagrees with the Back Tax Payment set forth on Exhibit E, such Class Member shall submit with its Claim Form a detailed explanation as to why it believes the Back Tax Payment was incorrectly calculated. In the event that Defendants disagree with such a Class Member's contention, Defendants shall meet and confer in good faith with Class Counsel and representatives of the Class Member in question in an effort to resolve the issue. If, despite such consultation, the Class Member and Defendants cannot agree on the Back Tax Payment, the figures contained in Exhibit E shall be the amount used to calculate the Class

Member's Back Tax Payment which such Class Member shall be entitled to receive pursuant to the Settlement, subject to the Municipality's right to opt out of the Settlement, which opt-out deadline shall be extended for such Municipality only for a period of thirty (30) days to resolve disputes related solely to the amount of the Back Tax Payment. Such right to opt out shall be the sole remedy of such Municipality, and the disagreement as to the amount of the Back Tax Payment shall not be subject to challenge or appeal pursuant to Section IV.G. or otherwise.

I. Payment and Processing of Approved Claims

Approved claims will be paid either by a check that is mailed on or before the date specified in Section II.A.1., or by a wire transfer, as specified on the Municipality's Claim Form.

V. PAYMENT OF ATTORNEYS' FEES AND EXPENSES AND SETTLEMENT COSTS

Attorneys' fees and expenses and settlement costs shall be paid as follows:

A. Costs of Notice

Defendants shall be responsible for providing notice of the proposed Settlement to the municipalities as provided herein, including costs of identifying members of the Settlement Class, costs of printing the Notice, and costs of mailing the Notice, and shall be responsible for printing the Notice, Claim Forms, and other necessary documents. If, for any reason, the Effective Date of the Settlement does not occur, then the costs of providing notice to the municipalities that are incurred by Defendants shall nevertheless be borne by Defendants.

B. Costs of Administering Settlement

Defendants shall bear all reasonable costs of administering the Settlement and the cost of printing and mailing any checks to be issued as part of the Settlement. If, for any reason, the Effective Date of the Settlement does not occur, then the costs of administering the Settlement that are incurred by Defendants shall nevertheless be borne by Defendants.

C. Attorneys' Fees, Expenses, and Attorneys' Liens

Class Counsel will make a Fee and Expense Application to be heard in connection with the Final Fairness Hearing, requesting that the Court award attorneys' fees, costs and expenses in the amount of Sixteen Million Two Hundred Fifty Thousand Dollars (\$16,250,000) (collectively, the "Agreed Fees"), which shall be paid by Defendants out of the \$65 million settlement fund. Defendants agree not to oppose such request in an amount up to the Agreed Fees. Defendants shall pay the lesser of (i) the amount of fees awarded by the Court, or (ii) the Agreed Fees, within ten (10) days of the Effective Date of the Settlement. Upon full payment of such fees, Class Counsel shall be deemed to release and discharge Defendants from and against any and all attorneys' liens they may have on any and all sums paid to or for the benefit of each Class Member hereunder, including without limitation any attorneys' lien pursuant to §§ 484.130 and 484.140 RSMo.

D. Severability of Attorneys' Fees and Expenses

The Parties agree that the rulings of the Court regarding the amount of attorneys' fees and expenses, and any claim or dispute relating thereto, will be considered by the Court separately from the remaining matters to be considered at the Final Fairness Hearing as provided for in this Settlement Agreement. Any order or proceedings relating to the amount of attorneys' fees or expenses, and any appeal from any order related thereto, shall not operate to terminate or cancel the Settlement Agreement, affect the Releases provided for in the Settlement Agreement, or affect whether the Order and Judgment of Dismissal is Final.

VI. RELEASES AND DISMISSALS

In order to effectuate the Parties' desire to fully, finally and forever settle, compromise, and discharge all disputes arising from or related to the Action by way of compromise rather than by way of further litigation, the Releasing Parties and Defendants agree as follows:

A. Release by Releasing Parties

Upon the Effective Date of the Settlement, the Releasing Parties shall be deemed to have, and by operation of the Order and Judgment of Dismissal shall have, fully, finally, and forever released, relinquished, and discharged the Released Claims, as defined in Section I.Y. Further, upon the Effective Date of the Settlement and to the fullest extent permitted by law, Plaintiffs and each of the Class Members shall be barred and estopped from commencing, prosecuting, or participating in, either directly, indirectly, representatively, as a member of or on behalf of the general public, or in any capacity, any recovery in any action in this or any other forum (other than participation in the Settlement as provided herein) in which any of the Released Claims are asserted.

B. Release by Defendants

Upon the Effective Date of the Settlement, Defendants shall be deemed to have, and by operation of the Order and Judgment of Dismissal shall have, fully, finally, and forever released, relinquished, and discharged Plaintiffs, the Class Members and Class Counsel, from all claims arising out of, in any way relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Action or the Released Claims. In any future dispute relating to Defendants' payment of Business License Taxes, Defendants shall not raise any claims or defenses relating to the enactment or validity of the Class Members' Business License Tax codes or ordinances in the form existing as of the Effective Date of this Settlement Agreement or the

applicability of those codes or ordinances to the revenue streams deemed included within the Business License Tax base under this Settlement Agreement.

C. Preclusive Effect

On the Effective Date of the Settlement, Plaintiffs and each and every Class Member shall be bound by this Settlement Agreement and shall have recourse exclusively to the benefits, rights and remedies provided hereunder. No other action, demand, suit or other claim may be pursued against Defendants with respect to the Released Claims by the Releasing Parties. The Parties acknowledge and agree that Defendants' agreement to pay the Back Tax Payment to each Class Member which submits a valid and timely Claim Form and the Future Tax Benefit with respect to each Class Member, as well as the attorneys' fees provided herein, is based on each such Class Member's representation that it has the authority to enter into, and will be bound by, this Settlement Agreement. The Parties further acknowledge and agree that, in the event a court of competent jurisdiction declares that this Settlement Agreement is unenforceable against, or can be voided or rescinded by, any Class Member, it would be unjust and inequitable for such Class Member to retain the consideration paid by Defendants hereunder, yet reinstitute any legal proceeding against Defendants with respect to the matters released herein. Notwithstanding anything to the contrary contained herein or provided under applicable law (including without limitation, to the extent applicable, § 432.070 RSMo), the dismissal with prejudice of the Action as set forth herein shall be res judicata and shall bar the re-filing of any and all Released Claims that were or could have been brought by the Class Members. In addition, in the event that, despite the provisions of this Settlement Agreement, any Releasing Party is permitted in the future to pursue any claim that is or was a Released Claim under this Agreement, such Releasing Party shall forfeit and return to Defendants, prior to proceeding with any such claim, any Back

Tax Payment received from Defendants pursuant to this Agreement. For avoidance of doubt, the provisions of this Section shall be severable from the remaining provisions of this Settlement Agreement, and the Parties acknowledge and agree that the consideration given by Defendants under this Settlement Agreement constitutes fair and adequate consideration for the releases by the Class Members hereunder, and for the obligations of the Class Members and Class Counsel under this Section and the remaining Sections of this Settlement Agreement.

D. Mistake

In entering into this Settlement Agreement, the Releasing Parties and Defendants each assume the risk of any mistake of fact or law. If they, or any of them, should later discover that any fact which they relied upon in entering this Agreement is not true, or that their understanding of the facts or law was incorrect, they shall not be entitled to set aside this Settlement Agreement by reason thereof.

E. Covenant Not to Sue

As of the Effective Date of the Settlement, this Settlement Agreement may be pled as a full and complete defense to any Released Claims that may be instituted, prosecuted or attempted in breach of this Settlement Agreement. Except as otherwise provided in Sections II.A.2.d., II.A.2.g., and II.A.2.h. herein, the Releasing Parties covenant that they will not institute or prosecute, against Defendants, any action, suit or other proceeding based in whole or in part upon any of the Released Claims, and Defendants likewise covenant that they will not institute or prosecute against the Releasing Parties or any of them, any action, suit or other proceeding based in whole or in part upon any of the Released Claims nor based in whole or in part on the defenses, counterclaims, or other assertions raised by Defendants in the Action.

F. Injunctive Relief

The Parties, and each of them, covenant that this Settlement Agreement may be used as a basis for a temporary restraining order, preliminary injunction, or permanent injunction against any breach of this Agreement. The Parties judicially admit hereby for all purposes that time is of the essence as to all terms and conditions of the Settlement Agreement and that damages for a breach of this Settlement Agreement would be inadequate.

VII. CERTIFICATION OF SETTLEMENT CLASS AND COURT APPROVAL OF THE SETTLEMENT

The Parties shall use their respective best efforts to obtain Court approval of this Settlement Agreement. The process for obtaining Court approval of this Settlement Agreement shall be as follows:

A. Appointment of Class Representatives and Class Counsel

For settlement purposes only, Plaintiffs and Defendants will request, as part of the Preliminary Approval Order, that the Court make preliminary findings and enter an Order granting provisional certification of the Settlement Class, subject to final findings and ratification of the Order and Judgment of Dismissal, and appointing Plaintiffs as Class Representatives of the Settlement Class, and John W. Hoffman and Douglas R. Sprong, Korein Tillery, LLC, 505 N. Seventh Street, Suite 3600, St. Louis, MO 63101; John F. Mulligan, Jr., 1600 South Hanley, Suite 101, Richmond Heights, MO 63144; and Howard Paperner, 9322 Manchester Road, St. Louis, MO 63119, as Class Counsel.

B. Conditional Certification

Defendants consent to certification of the Settlement Class for the sole purpose of effectuating the settlement of this Action. If this Settlement Agreement is terminated pursuant to its terms, or if the Settlement Agreement is not approved, the Order conditionally certifying the Settlement Class shall be automatically vacated upon notice to the Court of the termination of the Settlement Agreement, and the matter shall proceed as though the Settlement Class had never been conditionally certified and such findings had never been made, without prejudice to the ability of any Party thereafter to request or oppose class certification on any basis.

C. Preliminary Approval

As soon as practicable after the execution of this Settlement Agreement by Class Counsel and Defendants' Counsel, but no later than ten (10) days after the last person executes this Settlement Agreement, unless an extension is agreed to by Defendants' Counsel and Class Counsel, Class Counsel and Defendants' Counsel shall submit the Settlement Agreement to the Court and shall jointly request entry of the Preliminary Approval Order substantially in the form of Exhibit C hereto. The Preliminary Approval Order shall include provisions: (1) preliminarily certifying the Settlement Class for settlement purposes only; (2) preliminarily approving Plaintiffs as Class Representatives; (3) preliminarily approving this Settlement and finding this Settlement sufficiently fair, reasonable and adequate to allow Notice to be disseminated to Missouri municipalities; (4) approving the form of the Notice; (4) setting a schedule for final approval of the Settlement; (5) providing a date for submitting Claim Forms and for filing objections or for opting out; and (6) providing that, pending entry of the Order and Judgment of Dismissal, neither Plaintiffs nor any Class Member (either directly, in a representative capacity, or in any other capacity) shall commence or continue any action against Defendants asserting

any of the Released Claims and that all proceedings in the Action are stayed, other than such proceedings as are related to the Settlement.

D. Opt-Out Procedure

Each member of the Settlement Class wishing to opt out of the Settlement Class shall individually sign and timely submit a Request for Exclusion to a designated address. To be valid, the Request for Exclusion must: (a) set forth the name of the Municipality and its duly authorized representative's name, address and phone number, and the name and cause number of the Action (*State of Missouri, et al., v. SBC Communications, Inc., et al.*, Cause No. 044-02645); (b) be signed by an authorized representative of the Municipality; (c) clearly manifest an intent to be excluded from the Settlement Class; and (d) be postmarked no later than forty-five (45) days after the date of mailing the Notice.

E. Objections to Settlement

A Municipality wishing to object to the proposed Settlement and/or the Fee and Expense Application may do so by filing a written objection, stating, in detail, the substance of the objection and the reason(s) therefor. The objection must be filed with the Clerk of the Court and served upon counsel for all Parties, whose names and addresses are listed in the Notice, within forty-five (45) days of the date of the mailing of the Notice. Any Class Member may appear at the Final Fairness Hearing by duly authorized counsel and be heard, in support of or in opposition to the fairness, reasonableness, or adequacy of the proposed Settlement. No Class Member or counsel, however, shall be heard at the hearing, and no paper, brief, or evidence submitted by any such person shall be received or considered by the Court, unless such person, within forty-five (45) days of the date of the mailing of the Notice, files with the Clerk of Court and serves upon counsel for all Parties, whose names and addresses shall be listed in the Notice,

a notice of his or her intention to appear, a statement of the position he or she will assert, and the reasons for his or her position, and all papers, briefs, or other evidence that he or she intends to present to the Court in support of such position.

F. Final Fairness Hearing

On the date set forth in the Preliminary Approval Order, which shall be approximately ninety (90) days after mailing of the Notice, the Court shall conduct a Final Fairness Hearing in order to: (1) determine whether to grant final approval to this Settlement Agreement; (2) consider any timely objections to this Settlement and all responses to objections by the Parties; and (3) rule on the Fee and Expense Application. At the Final Fairness Hearing, the Parties shall ask the Court to give final approval to this Settlement Agreement. If the Court grants final approval to this Settlement Agreement, then the Court shall enter an Order and Judgment of Dismissal, substantially in the form of Exhibit D hereto, which approves the Settlement, authorizes entry of a final judgment and dismisses the Action with prejudice with respect to Defendants.

VIII. LIMITATIONS ON USE OF SETTLEMENT AGREEMENT

The Parties' use of the Settlement Agreement shall be limited as follows:

A. No Admission

Neither the acceptance by Defendants of the terms of this Settlement Agreement nor any of the related negotiations or proceedings is or shall be construed as or deemed to be legal evidence of an admission by Defendants with respect to the merits of the claims alleged in the Action, the validity of any claims that could have been asserted by any of the Class Members in the Action, or the liability of Defendants in the Action. Defendants specifically deny any liability or wrongdoing of any kind associated with the claims alleged in the Action. Aside from the obligation to pay Business License Taxes going forward, as set forth in Section II.A.2. above,

this Settlement Agreement is not intended to, and shall not be construed as imposing any other obligations on Defendants under the Class Member's respective ordinances, including without limitation any rate regulation or customer service requirements.

B. No Evidentiary Use

This Agreement shall not be used, offered or received into evidence in the Action for any purpose other than to enforce, construe or finalize the terms of the Settlement Agreement and/or to obtain the preliminary and final approval by the Court of the terms of the Settlement Agreement. Neither this Agreement nor any of its terms shall be offered or received into evidence in any other action or proceeding except in a proceeding by a third party challenging any of the payments or obligations hereunder, or as otherwise provided herein.

C. Characterization to Media

The Parties agree that in the event any counsel for any Party contacts or is contacted by any member of the media regarding the Action or this Settlement Agreement, said counsel shall not refer to or characterize the Action or the Settlement Agreement as continuing or evidencing an admission or inference of: (1) liability, fault or wrongdoing on the part of Defendants or Defendants' Counsel, including any wrongdoing in connection with the defense of the Action; or (2) lack of merit of any claim asserted in the Action, or wrongdoing on the part of Plaintiffs, Class Counsel or the Class Members in connection with the institution, prosecution or settlement of the Action.

IX. MISCELLANEOUS PROVISIONS

A. Assignment

Except for the ordinary assignment of tax revenues in connection with municipal tax anticipations and other financings, or any assignment of Back Tax Payment made to the Missouri

Municipal League or St. Louis County Municipal League pursuant to the Claim Form (but only if such assignment to the Missouri Municipal League or St. Louis County Municipal League is specifically authorized by an ordinance that is submitted with the Class Member's Claim Form), each Party represents, covenants and warrants it has not directly or indirectly assigned, transferred, encumbered or purported to assign, transfer, or encumber to any person or entity any portion of any liability, claim, demand, cause of action or rights that it herein releases.

B. Binding on Assigns

This Agreement shall be binding upon and inure to the benefit of the Parties, all Class Members, and their respective heirs, trustees, executors, successors and assigns.

C. Captions and Interpretations

Section titles or captions contained herein are inserted as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or any provision hereof. Each term of this Agreement is contractual and not merely a recital.

D. Construction

The Parties agree that the terms and conditions of this Settlement Agreement are the result of arm's-length negotiations between the Parties and that this Agreement shall not be construed in favor of or against any Party by reason of the extent to which any Party, or his, her or its counsel, participated in the drafting of this Agreement.

E. Counterparts

This Agreement, and any amendments hereto, may be executed in any number of counterparts, and any Party may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

F. Governing Law

Construction and interpretation of the Agreement shall be determined in accordance with the laws of the State of Missouri, irrespective of the State of Missouri's choice of law principles.

G. Integration Clause

This Agreement, including the Exhibits referred to herein, which form an integral part hereof, contains the entire understanding of the Parties in respect of the subject matter contained herein. There are no promises, representations, warranties, covenants or undertakings governing the subject matter of this Agreement other than those expressly set forth in this Agreement. This Agreement supersedes all prior agreements and understandings among the Parties with respect to the settlement of the Action. This Agreement may not be changed, altered or modified, except in a writing signed by the Parties and approved by the Court. This Agreement may not be discharged except by performance in accordance with its terms or by a writing signed by the Parties.

H. Invalidation

The voiding, by Court order or otherwise, of any material portion of this Agreement shall invalidate the Agreement in its entirety unless the Parties agree in writing that the remaining provisions shall remain in full force and effect, except as otherwise explicitly provided for in Section VI.C.

I. Jurisdiction

The Court shall retain jurisdiction, after entry of the Order and Judgment of Dismissal, with respect to enforcement of the terms of this Settlement, and all Parties and members of the Settlement Class submit to the exclusive jurisdiction of the Court with respect to the enforcement of the Settlement and any dispute with respect thereto.

J. Modification

If the Court orders any modification to the Settlement Agreement that has not been previously agreed to by the Parties, as a condition of preliminary approval or final approval of the Settlement Agreement, then the Parties, and each of them, shall have the option to rescind the Settlement Agreement and resume the Action if they are not willing to accept any such modification.

K. No Collateral Attack

This Agreement shall not be subject to collateral attack by any Class Member at any time on or after the date upon which the Order and Judgment of Dismissal becomes Final. Such prohibited collateral attacks shall include claims that a Class Member's claim was improperly denied, that the payment to a Class Member was improperly calculated, and/or that a Class Member failed to receive timely Notice of the Settlement Agreement.

L. Nullification

If, for any reason, the Court fails to grant preliminary approval as provided herein, the Court fails to grant final approval to this Settlement Agreement or the approval of the Order and Judgment of Dismissal is reversed or rendered void as a result of an appeal, then: (1) this Settlement Agreement shall be considered null and void; (2) neither this Settlement Agreement nor any of the related negotiations shall be of any force or effect; (3) the certification of the class for settlement purposes shall be vacated and any findings regarding the certification shall not be used or admissible for any purpose in the Action or any other proceedings involving the subject matter of the action; and (4) all Parties to this Settlement Agreement shall stand in the same position, without prejudice, as if the Settlement Agreement had neither been entered into nor filed with the Court.

M. Parties' Authority

The signatories hereto hereby represent that they are fully authorized to enter into this Agreement and bind the Parties to the terms and conditions hereof.

N. Receipt of Advice of Counsel

The Parties acknowledge, agree, and specifically warrant to each other that they have read this Settlement Agreement, have received legal advice with respect to the advisability of entering into this Settlement, and fully understand its legal effect.

O. Right to Rescind

Upon the occurrence of any of the following events prior to the Effective Date of the Settlement, Defendants may, at their option, elect to rescind this Settlement Agreement: (i) a sum of fifty (50) or more Municipalities (other than the City of St. Louis) (a) in which AT&T Missouri does business and (b) which are included within the definition of the Settlement Class, or (ii) a Municipality or a sum of Municipalities (a) in which AT&T Missouri does business and (b) which represent Back Tax Payments totaling \$4,875,000 or more, validly and timely object to the Settlement or fail to submit a valid and timely Claim Form or request exclusion from the Settlement Class. For purposes of this Section IX.O., only those objections to this Settlement which are not withdrawn prior to the Final Fairness Hearing shall be included in the calculation of the threshold amounts related to Defendants' option to rescind. Defendants' election to rescind pursuant to this Section must be made in writing and be delivered to Class Counsel no later than the Effective Date of the Settlement. Upon the exercise by Defendants of the option to terminate, this Agreement is nullified as set forth above in Section IX.L.

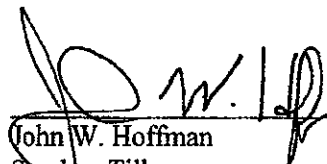
P. Waiver of Compliance

Any failure of any Party to comply with any obligation, covenant, agreement or condition herein may be expressly waived in writing, to the extent permitted under applicable law, by the Party or Parties entitled to the benefit of such obligation, covenant, agreement or condition. A waiver or failure to insist upon strict compliance with any representation, warranty, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

IN WITNESS WHEREOF, Plaintiffs' counsel and proposed Class Counsel and Defendants' Counsel have executed this Settlement Agreement on this 26th day of June 2009; subject to Court approval.

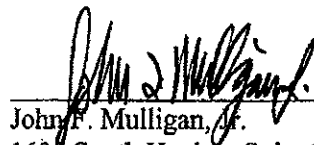
Plaintiffs' Counsel, Proposed Class Counsel, and Plaintiffs' Authorized Representatives:

By:




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

By:



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


By:



Howard Paperner
9322 Manchester Road
St. Louis, MO 63119

Defendants' Counsel and Defendants' Authorized Representatives:

By:



THOMPSON COBURN, L.L.P.

Stephen B. Higgins

Amanda J. Hettinger

Sharon B. Rosenberg

Ann Ahrens Beck

One U.S. Bank Plaza

St. Louis MO 63101

By:



AT&T LEGAL

John F. Modler, Jr.

One AT&T Center Room 3558

St. Louis, MO 63101