LNBC®

Marketing and Advertising Group

Representing

at&t

Cory Graves | Luke Grothe | Nathan Herron | Brandon Hicks

Table of contents

Report Introduction

AT&T is constantly striving to find better ways to connect their customers, anywhere from revolutionary smart phones to the next generation of television services. For over a century AT&T has been providing the most reliable, innovative, high quality products and services that represent their exemplary customer service. As the industry continues to evolve, AT&T simultaneously adapts their mission statement in order to maximize their efforts. AT&T's mission statement suggests that AT&T wants to connect people with their world, whether it is where they live, work or play. AT&T strives to outperform its competitors and plans to do so by implementing new solutions for consumers and businesses while vigorously pushing towards innovation in the wireless sector lead by the AT&T Mobility LLC. Division (AT&T.com).

AT&T Mobility is a wireless subsidiary company that is independently owned by AT&T, INC. and headquartered in Atlanta Georgia. AT&T provides service to over 95.5 million subscribers, which makes them the second largest wireless telecommunications provider in the Unites States. Verizon Wireless leads the industry by occupying the number one spot with over 102.2 million customers, making them AT&Ts largest competitor (Hoovers). AT&T Mobility is valued as one of the world's top leaders for IP based communication service businesses. AT&T is perceived as having the nation's fastest mobile broadband network, as well as providing consumers with the largest international coverage in the United States out of all the other wireless carriers. It is with this coverage that AT&T is able to provide phones that not only provide service in the largest quantity of countries, but also have the largest Wi-Fi network with the largest total number of operating hotspots and broadband connections. All of this information is vitally important as AT&T is determined to fight and uphold their position as the best communications and entertainment company today (AT&T.com).

Structure

On October of 2000, AT&T finally announced that it would be restructuring the company over next couple years into separately public held companies called AT&T Broadband, AT&T Wireless and AT&T. This restructure allowed for each business to reach its full potential and obtain the maximum amount of available capital structure that would be needed to help fund growth. AT&T Mobility is a subsidiary company to AT&T Inc. which was created January 3, 2007 with the buyout of Cingular Wireless LLC. "AT&T Mobility is regarded as being part of the Telecommunication Services Industry; which then branches off into Wireless Communications Services and finally reaches its primary industry of Wireless Network Operators. Ralph de la Vega, current President and CEO, has over 43,100 employees in all of his locations combined" (AT&T.com).

Key People

- President and CEO: Ralph de la Vega
- CIO: F. Thaddeus Arroyo
- Executive Director Media Relations: Mark A. Siegel

AT&T mobility services

The services that AT&T mobility provides include:

- Analog wireless access
- Digital wireless access
- Interactive messaging
- Short text messaging
- Wireless data
- Wireless Internet access

AT&T mobility products

AT&T Mobility LLC makes products such as handsets and personal computer wireless data cards available to the public. Additionally, the company also provides an arrangement of hands free devices, carrying cases, batteries, battery chargers, and multiple other produce for the convenience of its consumers and other third-party distributors. AT&T currently provides 3G mobile wireless broadband services that are available on a wide assortment of cellular phones from manufactures such as Apple, Blackberry, HP, Microsoft, Motorola, Nokia, Palm, Pantech, Samsung, Sharp and Sony (AT&T.com).

Until February 2011, AT&T has benefited from being the sole service provider of the Apple iPhone. This has tremendous impact on the performance of AT&T Mobility which will be explained later in the financial section of this report. The following information provides an understanding of the release dates for the different iPhone models (releasedates.org).

<u>iPhone Release Dates</u>
iPhone- June 29, 2007
iPhone 3G- July 11, 2008
iPhone 3Gs- June 8, 2009
iPhone 4- June 24, 2010

Markets served

Verizon Wireless is AT&T's largest competitor with just over five million more consumers. The rivalry has lead to the beginning of an epic battle for current market share. AT&T vigorously attempts to narrow the five million customer gap. AT&T's dilemma is that Verizon is constantly applying more and more emphasis on their relatively complete nationwide cell phone coverage. Exhibits 1 & 2 show the difference in regular coverage depicted by the areas in color. AT&T and Verizon are endlessly competing for coverage area so that they can attract more consumers. Over the course of the years the battle has evolved into the current position of determining which company offers the best data download speeds. The technology used to provide the data is currently undergoing a complete transformation from 3rd generation (3G) speeds to the new 4th generation (4G) speeds. The transition reveals the apparent fact that each company is competing to see who can obtain the largest amount of 4G covered cities. AT&T's Competitors listed from greatest to least is Verizon, Sprint, T-Mobile, TracFone Wireless, MetroPCS, U.S Cellular and Cricket. Exhibit 3 highlights how the two companies including T-mobile are providing in this most desired service category.

Competitors

AT&T’s Competitors from largest to smallest are Verizon, Sprint, T-Mobile, TracFone Wireless, MetroPCS, U.S Cellular and Cricket. The following paragraphs highlight the unique differences for each of AT&T’s competitors.

Verizon

Verizon Communications Inc. was established in 1983 as a communications services provider. The company is separated into two segments called Wireline and Domestic Wireless. Domestic Wireless Communications was compiled of products and services that included data services, wireless voice and various equipment sales. These products and service were provided to businesses, consumers and government agencies throughout the United States. Wireline Communication is composed of products and services such as broadband video, internet access, voice, data, network access, internet protocol network services, long distance and several other basic services. “The company provides these products and services to consumers in the United States, as well as to carriers, businesses and government customers in the United States and in over 150 other countries around the world.” (Reuters).

Sprint

Sprint Nextel Corporation is a well established communications company that offers a vast assortment of wireless communications products and services. These products and services are available for businesses, individual consumers, government agencies and resellers alike. Sprint is separated into two business segments called Wireline and Wireless. Sprint offers the voice and data services of these two segments to customers in markets such as the US, Virgin Islands and Puerto Rico. Sprint is also well known for its ownership of such retail companies as Sprint, Nextel, Boost Mobile, Virgin Mobile, Assurance Wireless and Common Cents SM. All of these companies are comprised into networks that take advantage of third generation code division multiple accesses, internet protocol technologies and national push to talk integrated digital enhanced networks. Sprint also has access to fourth generation services that utilize the world’s ability for microwave access technology that can be used alongside its relationship with Clearwire Corporation and its subsidiary Clearwire Communications LLC. “As of December 31 2010, Sprint 4G was available in 71 markets reaching more than 110 million people.” (Reuters).

T-Mobile

T-Mobile USA was originally known as a subsidiary of the Germany based Deutsche Telekom. It provides data communications and wireless voice services to customers within the United States. The company has approximately over 33 million prepaid and contracted customers that have total access to its network. T-Mobile also provides wireless internet access data services in venues such as retail businesses, airports and multiple other locations with T-Mobile

Hotspot. T-Mobile USA also accounts some small profits from the reselling of PDA's, phones, smart phones and other accessories from companies such as Nokia and Samsung (Yahoo).

TracFone

TracFone Wireless, Inc. was established in 1996 with its headquarters in Miami, Florida. TracFone provides products such as cell phones and prepaid wireless to consumers within the United States. The company also offers ring tone downloading, technical support, area code updating, text messaging, voice mail and international long distance services. TracFone Wireless is in accordance with the United States governments programs and help to provide support for low income households. TracFone Wireless, Inc. was formerly known as Topp Telecom, Inc (Businessweek).

MetroPCS

MetroPCS Communications, Inc. was established as a wireless telecommunications provider in the United States in 2004. The company's performance is rated by the number of consumers that it serves or has served. MetroPCS provides its customers with broadband mobile and wireless services in several metropolitan areas all over the United States. The Company also provides an assortment of wireless communication services such as pay in advance or for consumers that prefer not to be stuck in a long-term contract. "As of December 31, 2010, the Company had approximately 8.1 million subscribers. Its products and services include voice services, data services, custom calling features and advanced handsets." (Reuters).

U.S Cellular

United States Cellular Corporation was founded as a wireless telecommunications service provider in 1983. U.S. Cellular is currently located in the segment of wireless operations, which limits its wireless operating markets to only the United States. U.S. Cellular has an organizational structure that allows it to operate its wireless systems within groups that are determined by geographical areas so that it can better offer customers the service areas that primarily occupy U.S. Cellular's network. (Reuters).

Cricket

Cricket Communications, Inc. is a wireless carrier provider that has wireless services available to businesses and consumers in the United States. The company offers instant picture messaging, text messaging, local and long distance calling, ringtones, mobile web games, music, and wallpapers. Cricket also provides a wide selection of broadband internet services and mobile devices and accessories. "Cricket Communications, Inc., through its Cricket UM185C modem, serves cricket broadband customers, as well as helps them to send and receive unlimited text messages directly from their computer." The company was founded in 1999 with its headquarters located in San Diego, California. There is also an additional office in Washington D.C. Cricket Communications; Inc. is a well known subsidiary of Leap Wireless International, Inc. (Business week).

AT&T versus Verizon

AT&T has a relatively large abundance of competitors that range anywhere from relatively small to extremely large. These competing companies each offer a broad variety of products and services that make them uniquely beneficial for any consumer. All of this made a substantial impact on market share until something drastic happened in June of 2007. June 2007, marks a turning point in the era of cell phone communication services with Apple's release the iPhone first generation. The concept of the first Apple iPhone was quite overwhelming, not only because it was the first of its kind, but because AT&T had an exclusive contract with Apple. This contracted stated that the iPhone could only be released for distribution pending a two year contract with AT&T. This added considerable value to AT&T, which will later be discussed in the financial report (Computer World).

Things suddenly changed for AT&T, and consumers, in February of 2011. Apple signed a contract with Verizon which allowed them rights to the distribution of the iPhone on their network. Apple's contract with Verizon however had a devastating impact on consumers because it created separate contract conditions between the two companies. Customers had the opportunity to choose between each company because they each offered different features for the iPhone 4. Since Verizon and AT&T are fierce competitors, it advanced into a battle of the features between the two companies is highlighted in Exhibit 4 (Release Dates).

The battle appears to be a head to head struggle between the two telecommunication giants. Consumers are able to compare prices between the two similar iPhone's when deciding to purchase without a two year agreement. This however is irrelevant when combined with a two year contract since the two companies offer identical prices with the addition of the two year contract. In this situation, consumers are capable of researching and comparing features in order to make an educated decision of which is best for them.

AT&T versus Verizon iPhone Stat Test

According to CNET reviews, AT&T's iPhone 4 is falling far behind it the category of performance. CNET tested AT&T's iPhone versus Verizon's iPhone and discovered that AT&T's version was no match for Verizon's. The tests results shown in Exhibit 5 reveal that Verizon's iPhone outperformed AT&T's iPhone in the majority of tests conducted. The tests were administered around different areas around San Francisco, a town that currently has 3G capabilities. AT&T did not stand a chance when compared to Verizon, indicating that Verizon is unmistakably winning the battle for market share. (Reviews).

AT&T and Verizon find themselves up against yet another wall. AT&T and Verizon both find themselves scrambling to meet the constantly growing need for larger data capabilities. Analysts believe that Verizon hasn't yet become a major threat to AT&T's market share because of its $325 fee to break contract. However, there is still the upcoming threat on the horizon with the expected release of the iPhone 5. (BroadBrandBreakfast).

Consumers are anxiously anticipating the release of the new iPhone 5. Verizon has strategically decided to release the iPhone 5 on a date that could have devastating results for

AT&T. The iPhone 5 is scheduled to be released in late June 2011, exactly two years after the initial release of the iPhone 3 (MSNBC). The problem AT&T faces is the fact that the original iPhone 3 customers contracts are about to expire. Millions of consumers will have the opportunity in June 2011 to switch from AT&T to Verizon for the purchase of the iPhone 5 (Releasedates & MSNBC).

In fact, many consumers withheld the urge to buy the iPhone 4 because of the lack of additional features when compared to the iPhone 3. Most consumers patiently waited and are eagerly anticipating the release of the iPhone 5 with new and improved 4G capabilities. AT&T however is franticly attempting to find alternative solutions to help retain their current customers when given the opportunity to switch providers in June.

Mission Statement

Today, AT&T's mission statement states "Our mission is to connect people with their world, everywhere they live and work, and do it better than anyone else. We're fulfilling this vision by creating new solutions for consumers and businesses and by driving innovation in the communications and entertainment industry" (AT&T.com). When evaluating AT&T's mission statement, it is apparent that AT&T's goal is to connect everyone in the world with their new innovation and technology. However, AT&T is currently second best in the industry right behind Verizon.

Financial Statements

Financial Introduction

In order to properly analyze AT&T's current standing, LNBC prepared six tables using Factset as our only financial resource. In their respective order from Table 1 – Table 6 LNBC has prepared the income statement, common sized income statement, projected income statement, historical balance sheet, common sized balance sheet, and competitor comparison summary with financial ratio comparison. LNBC have used the data from 2006 till 2010 to analyze how the company has performed in the past, and project future performance through 2012. Different factors can be seen in each table that highlights the salient issue that is later discussed.

Statement Analysis

Table 1 highlights our salient issue because you can see the drastic increase in revenues reported during 2007 compared to 2006. During 2007 AT&T became the sole provider of Apple's new iPhone product, and you can see that revenues nearly doubled that year from $63 Billion in 2006 to $118 Billion in 2007. This is a major issue for AT&T because they are preparing for the release of their main competitor's iPhone this year, and this data shows how relevant carrying the iPhone has been for AT&T's revenue. The 30% increase in research and development reported in 2010 shows that AT&T is attempting to increase capabilities during this industries' push for large 4G service areas, but their 4G coverage is still far behind the industry standard. This increase is to show investors and stakeholders that there is long term planning going into the building of their 4G network. The increase in net income shown in

Table 1 of $6.5 billion is mainly due to the amount of taxes AT&T paid during 2010. From 2007 to 2009 AT&T paid about $6 billion, $7 billion, and $6 billion respectively; however, during 2010 they showed a positive net gain from taxes. The increase in taxes makes the net income much larger than past years, and creates a net margin growth of 50%. The common sized income statement, Table 2, shows that typically AT&T paid 5% to 6% of sales in taxes, but in 2010 AT&T report having income tax benefits of 1% of sales for a net increase from pre-tax income to net income of $1.1 billion. The reason for the decrease in taxes paid in 2010 is found in the balance sheet, Table 4, where they have a change in accounting principles that shifts $43 billion from the other property plant and equipment account into the machinery and equipment account. In Table 5 you can see that this is a shift of around 20% of net assets. Depreciation doesn't change due to this shift, but it happened due to the acquisition of former ALLTEL's assets that Verizon wireless was force to sell. The assets increased AT&T 3G coverage, but did not help their current efforts to increase 4G capabilities. (BGR.com)These assets drastically increased their property plant and equipment during 2010. The acquisition attributed to the decrease in taxes paid for 2010, and resulted an increase in net income during 2010 of $1.1 billion.

Table 3 is a representation of the projected income statement over the next 2 years. The projections are based on trend analysis using the data from the previous four years. We did not include the information from year 2006 in the trend analysis because the information from 2006 was prior to the iPhone release, and the revenue was 47% less than the revenue in 2007. This data projects our revenue and income will continue to increase with our net income increasing by 1.6%. These projections don't take into account the current situation of the merger between AT&T and T-mobile, but our implementation of our recommendations for AT&T's salient issue will not include the merger information. The trend analysis performed shows that AT&T's profits grow by 1.6% in 2011, but then the growth decrease to 1.2% in 2012. This addresses their salient issue because AT&T's main revenues come from their wireless contracts which are recorded through accounts receivables, and accounts receivables has been decreased by 16% since 2007. The balance sheet, Table 4, shows that our account receivables account has been decreasing for the past 5 years with 16% decrease since 2007 and a 10 % decrease in this past year, and this issue highlights our salient issue which will be later discussed. The decrease in account receivables shows a constant decrease in phone contracts, which will become even more relevant with the release of the Verizon iPhone. If AT&T cannot re-contract their current customers this decrease in accounts receivables will continue to decrease.

Ratio Analysis

Even though AT&T made two acquisitions in 2010 they still decreased accounts payable by 1% which shows that they are paying off debts. They were able to make the acquisitions with cash, thus decreasing their debt ratio. The debt ratio decreased by 10% from last year by increasing equity without incurring more debt. When comparing their debt to equity ratio with Verizon's they are in much better standing with Verizon at 137% and AT&T now down to 59%. The increase in return on assets of 3% is a good sign that this profitability ratio is moving in the right direction and AT&T's assets are working for them. The price to earnings ratios for AT&T is 8x and Verizon's is 39x. Verizon's high price to earnings ratio is a good sign of future growth, while AT&T's low price to earnings ratio is a sign that the worth of the stock is closer to the performance of the company. This would make AT&T be considered a "cash cow" to investors, while Verizon would appear to be a "shooting star" with growth potential. This makes Verizon appear to be a better investment, but with a net income of $19 billion compared to Verizon's net income of $2.5 billion AT&T have an overwhelming advantage in revenue earned. Verizon has 5x the cash and short-term investments that AT&T does and this mean Verizon is a much more liquid company. Liquidity between the two companies is equal with .6x current ratio, but because AT&T holds less inventory they have a .5x quick ratio compared to Verizon's .6x quick ratio. This means that AT&T is actually more liquid, but by a minimal amount. The asset turnover of both companies is the same, which shows comparably equal operational efficiency. The growth in pension fund status for AT&T is due because of a change in accounting principle that recognizes gains or losses immediately rather than spreading them out over several years, and this change increase pension fund status in 2010 by 37 %.(BGR.com) This increase is over estimated because previously gains or losses were recognized over several years.

Financial Conclusion

When summing up AT&T's current situation it is most important to note that they are heading into their most competitive period in recent years because Verizon is coming out with their new iPhone, and you can see how much the iPhone affected AT&T's their revenue in 2007. Revenue for AT&T went up 47% in 2007, and this is very concerning for them as Verizon has competed well with them even before they had the iPhone. AT&T has shown their investors this past year that they are making progress by showing a 65% increase in net income from 2009 to 2010. This is an increase of $6.5 billion in income in one year. While their historical performance speaks for itself since 1875, the next few years will mark the period when AT&T will face their greatest competition from Verizon, but with our recommendations and implementation AT&T can get off to a head start on Verizon before they release their iPhone 5.

SWOT analysis

Strategic Advantage Profile

Strengths	Weaknesses
• AT&T one of oldest telecommunication providers. • Brand Loyalty • Market position and technology's • Wireless division • AT&T first exclusive rights to the iPhone until 2011.	• Increasingly more price competitive market in both retail and wholesale markets • Geographical concentration • Falls behind in regards to 4G coverage

Source: Marketlineinfo, Business Source complete, AT&T

Strengths

AT&T is one of the oldest telecommunication providers. The company dates back all the way to 1876 when Alexander Graham Bell invented the first telephone. Alexander Bell's invention laid down the foundation for what is now known as AT&T. This gives AT&T the first mover's advantage over their competitors, allowing them to become one of the best telecommunication providers today.

Brand loyalty is another major advantage of AT&T because when consumers find something they like it, is very hard to get them to change. AT&T isn't just a company; it is a household name that consumers know they can trust.

AT&T is one of the leading telecommunication providers controlling a substantial portion of its industries market share. It is one of the leading providers of internet protocol-based communications services allowing them to have a strong market position in enterprise telecommunications. The company has also the fastest mobile broadband network in the United States. It has the largest international coverage of any United States wireless carrier and has become the largest Wi-Fi network. It also has the largest number of high-speed Internet access subscribers in the United States. Leading the market position provides the company with a competitive advantage of launching new services and products and enhancing the customer base.

AT&T has a strong wireless division performance and reports being one of the best in wireless networking. This division provides a number of different wireless voice communications services. These include voice, data services and also markets of a wide range of headsets and personal wireless device data cards. The strong performance that AT&T brings is a competitive advantage in wireless communication services which helps their overall financial performance for the company.

Until recently AT&T has had exclusive rights with Apple which helped them make it even higher on the ladder. With AT&T being the first provider of the iPhone this gave them a huge advantage over competing companies. Many customers stitched to AT&T just to experience the iPhone and its capabilities. This has given them a huge competitive advantage and has brought a tremendous amount of business to AT&T between 2007 and 2011.

Weaknesses

AT&T is in both retail and wholesale markets, which brings price wars with their products. They constantly have to be competitive with the many imitators in the market as well as other providers. This brings a competitive disadvantage in making the products more unique and up to date as well as cheaper.

AT&T also falls behind in regards to 4G services and capabilities when compared to Verizon, Sprint and T-Mobile. Not only was AT&T a late entrant into the market, but also is only offering an intermediate version of 4G services called HSPA+ instead of actual 4G services on a LTE Network which has not been implemented as of date.

The operations of AT&T are geographically concentrated in the United States. AT&T is only seeing revenues from the United States while other companies are going above and beyond. This has a negative competitive advantage in that it brings business risk and also hinders the scalability for opportunities for growth in other markets.

Threat and Opportunity Profile

Opportunities	Threat
• Growth of Cloud computing services • Smart phone market expanding • Growth of mobile payments market • 4G technology and geographic expansion • Viewing video content online	• Intense competition in Industry • Carriage contracts • Regulatory environment change • Verizon carrying iPhone

Source: Marketlineinfo, Business Source complete, AT&T

Opportunities

The growth of the cloud computing services is expanding dramatically. Cloud computing is a computing infrastructure model, which allows delivery of software as a service. This then reduces licensing payments, investment in hardware and other operating expenses. Growths of these services are estimated to increase in the upcoming years. AT&T is already working on these services. For example in November 2009 they launched AT&T synaptic compute as a service, its latest global cloud-based service designed to give companies on-demand access to scalable computing capacity. AT&T continues to spend money on cloud services which will expand its network. Expanding on cloud computing services will help keep steady revenues as well as increase its customer base.

An increase in the time spent viewing videos on personal computers has drastically increased by 45% since January 2010. In addition to video content, there also has been an increasing number of consumers who use the Internet as a medium for viewing television. AT&T has been diligently working on the growth of U-Verse, an integrated set of services such as high quality television, high speed Internet, and voice all delivered over an advanced IP Network.

As expected the smart phone industry is one that continues to grow every year. Everywhere, more and more people are obtaining smart phones and using them on a daily basis. According to the industry factors grow of smart phones grows at more than 18.7% every year. By 2014 it is expected that smart phones will account for more than 29% of the entire market. With the growth of smart phones it drives the company's data revenues with more people needing data services for their devices. The growth of smart phones will further increase the company's data and internet services while helping the company maintain great revenue inflows.

The mobile payments market is expanding and is expected to grow from $70 billion in 2009 to more than $610 billion by 2014. AT&T partnered with Apriva, a leading provider for wireless payment solutions. They offer new payment applications that can increase the cash flow for the company. This makes it possible for smart phones to accept credit and debit card transactions. AT&T is the first mobile point-of-sale solutions from Apriva. This will continue to expand and help to increase AT&T's cash flows.

Growth of 4g technologies and market expansion will continue to expand in the future. This is a major factor for customers in determining their choice of provider. Having more widespread coverage with an increasingly powerful wireless infrastructure will have a huge impact on holding and obtaining wireless customers.

Threats

The telecommunications and information service business is very competitive industry with many competitors. AT&T's competition consists of Verizon wireless, which is their main competition. Following Verizon is Sprint and T- Mobile which are also a big threat. Besides these companies AT&T also has to compete with regional cellular devices, PC's and other wireless communication services. Not only do they need to watch competition on their turf but also internationally. International competitors include France Telecom, BT Group and SingTel and also some other small companies. There is a lot of innovation and change in this business so the threat of substitutes and other companies is always near.

The use of two year carriage contracts is also a big threat to the business. AT&T has an agreement between their content providers for a specified period of time. If after the two your contract has expired the provider then can decide to increase the monthly prices. This intern could drive the customers over to different providers. AT&T customers failing to renew the contracts will have a huge impact on the subscriber base. Since this is a big threat, AT&T needs to make positive changes in order to entice customers to renew their contracts.

Other threats to the business include dealing with regulatory environmental changes. The Federal Communications has vast jurisdiction in the United States. This means they are subject to regulation across geographic areas. If outside the United States, they are under the jurisdiction of national and supranational regulatory authorities in the market where service is provided. AT&T wireline is also under regulation by the state which means the state has right oversee services, local rates, ad long-distance rates. Wireless communications are also required to be licensed by FCC to provide communications services in specified geographic areas and must follow the rules and regulations set for those areas. The changes in state laws have a big impact on the way AT&T runs it business. This is a threat to the company and could hurt their financial condition of the company.

Now that Verizon has rights with apple and is carrying the iPhone it possess a big threat to AT&T. Being able to carry the iPhone first had a huge impact for AT&T and really helped them get where they are today. Now that that Verizon has the iPhone there competition is even more of a big deal. They really need to bring something to the table that will attracted and keep customers with AT&T or version might just take over.

Salient Issue

As Verizon Wireless and AT&T battle it out for the latest in technology and services they are both doing their best to capture and hold their fair share of the wireless services market. As mentioned previously, until recently, AT&T had a large advantage of being the only wireless service provider that supplied the most sought after, Apple iPhone. Now that Apple has decided to allow their biggest competitor Verizon to carry the iPhone also, AT&T is presented with a real problem. As the launch of the new iPhone 5 expected to strategically hit the market two years after the ihone 3 came out, AT&T's salient issue is going to face the reality of how they are going to keep customers from renewing those contracts not with them but with Verizon.

Strategic Alternatives

Alternative #1: AT&T and T-Mobile merger

The first strategic alternative is if AT&T merges with T-Mobile. If this happens AT&T will then become America's largest telecom player with roughly 130 million customers. The merger will increase the available data capacity for AT&T, which will work in AT&T favor with an anticipated increase in data usage between now and 2015. The merger also would potentially improve the experience of the combined company's customers because it would have a significant increase of around 30% cellular density in urban markets.

Another upside is that current T-Mobile customers would soon be eligible to purchase iPhones which would increase sales and profitability. The biggest upside is AT&T will have gained 4G capability and both previous T-Mobile and current AT&T customers would benefit with better service which is highlighted in exhibit 3. The downside to this is that with less competition in the market that means that rates will rise and there will be less pressure to develop new cell phone models which means fewer options. With T-Mobile out of the picture there will only be three major service providers left in the game with Sprint being pushed to the bottom of the pile and will stand alone when it comes to issues such as special access.

The takeover would inevitably lead to aggressive consolidation in which many previous T-Mobile employees will be laid off. In terms of retail outlets, many T-Mobile locations will be closed down which are in the same geographical location as a current AT&T store. Also, companies such as Alcatel Lucent, Ericsson, and Nokia will lose their ability to control prices since their main two customers were AT&T and T-Mobile. With this merger in effect they will without a doubt become less profitable. Google on the other hand probably has it worst of all if this merger is successful. Google has a partnership with T-Mobile in regards to its Android OS based devices. With T-Mobile out of the picture then Google with be left with only two massive phone companies who are going to try and hijack the Android and use it to serve their own needs.

Alternative #2: Satellite phones

The second strategic alternative is performance based, eliminating towers all together and switch over to satellite reception. One of the major problems that AT&T is facing at the moment is customers experiencing dropped calls and areas with no reception. This has been hurting business for several years and there is a simple solution. Switch over to a satellite infrastructure allowing consumers to get reception wherever and whenever needed.

AT&T has recently launched their first satellite phone, which is called the Terrestar genus. It came out in 2010 and it is the first smart phone with capabilities of both 3g wireless connections and IP satellite network connections. You can switch over at any time. Price for the phone is around $800 and cost an additional $25 for the service every month. The phone is only available to the government and business, not to the open public.

There are many positives to switching over to satellite reception. In many areas in the world there is limited service and the only way to communicate with people is with a satellite phone. This would also be very good for society in the fact you would always have service in case of emergency. No more incidents of being stranded in the middle of now wear without service.

The negatives of satellite phones are centered on cost. As of right now the technology to make a smart phone affordable and available to the public is not present. It is just a matter of time, however before this is the new way of doing things. Another problem with satellite phones at the moment is a way of tracking what goes on during phone calls. In some locations satellite phones have been banned altogether due to signals bypassing local telecoms systems, hindering censorship as well as wiretapping attempts.

One reason LNBC thinks satellite has not taken over the world yet is due to these providers being able to make more money threw contracts and monthly payments that need to be made. However, there are a number of different ways in which you could charge for satellite phone service. The best route would be to charge a monthly fee to AT&T to use their exclusive rights with a satellite. You could make it possible for them to pay online and also by phone. If however, AT&T does not receive a payment from the customer then their phone would be shut down. AT&T could set up a system to shut down the operations on a phone if not paid for. Other ways to pay for service could be yearly or based on the number of minutes the item is in use. This price system would be simple and customers would only have to buy a phone from AT&T and pay for the service they desire.

This strategy could solve many of AT&T's current problems and drive business to a whole new level. Not only will there be no more dropped calls but no more fees for roaming and long distance. This would be the new wave of phone innovation for customers and would draw a lot of business to AT&T.

Alternative #3: Implement more features

The third strategic alternative is to implement a strategy of better features than the competition. This is prevalent since AT&T according to CNET's performance comparison chart in exhibit 6, highlights that Verizon's network allows for the iPhone to currently outperform by leaps and bounds. Especially since this is the case AT&T must do something drastic to allow them to stand out amongst their competitors.

According to the comparison chart in exhibit 4, AT&T does have a great feature to highlight. This feature is the ability to multitask. This multitask feature allows customers to surf the web and talk on the phone simultaneously. This ability and others like it need to be highlighted if AT&T plans on winning the battle for market share. By having more features than their competitors they stand a chance in winning this battle.

A feature that the iPhone needs to could capture the interest of many consumers would be allowing for a hassle free personal tethering. Tethering allows for a consumer to turn their mobile data source into a wifi transmitter. If AT&T was to combine this with unlimited personal data consumers might see this as a great value. AT&T found that 98% of their consumers use two gigabytes of data or less per month which lead them to in the decision to cap their data. It is believed that Verizon will be shortly doing the same. This creates a large opportunity for AT&T if they where to re-implement an unlimited data plan combined with a personal password-protected tethering system.

AT&T doesn't want someone buying an unlimited data plan and then sharing all that data with everyone around them by turning their mobile device into a wifi-hotspot. In order to fix this problem it is recommended that AT&T allow for their phones to be connected to by one other device at one time with a secure log-in and password. This would be a great benefit for consumers such as traveling business men and women that need to have the capabilities of a full laptop on the go. This feature would tap into new markets by allowing consumers to drop the need for USB type Internet connection on their laptops and tablets.

The advantage to a feature based strategy would be to satisfy consumers growing need for features such as multi-tasking and wifi for their laptops and tablets. This strategy would capture customers from other markets such as USB type web which can cost up to $50 a month and keep customers that need multitasking features such as surfing the web and talking on their phone. This strategy could be what keeps Verizon from acquiring customers from AT&T.

The disadvantage of having a strategy like this is the fact the many consumers out there cheat the system and jailbreak their phones. If AT&T where to go back to the unlimited data plans and allowed for tethering, some consumers would figure out a way to hack in and allow for multiple users to have data at once. This is a potential for large amount of data to be used at once, possibly making the network slow for others.

Recommendations

Focusing on the three alternatives that were stated above, the best plan is to implement a feature based strategy. The features that need to be highlighted are as follows. First, go back to an unlimited data plan. Second, use marketing to highlight the iPhones ability to multitask within the operating system. Last, create an app that allows personal tethering capability with one user password-protected limit. These distinct features in combination with a plan to dramatically improve AT&T's cell phone tower infrastructure, it is believed that AT&T can differentiate themselves from Verizon in order to keep current customers happy and to capture customers from other markets such as home Internet users and mobile broadband Internet users. The reason LNBC stands behind this strategy is due to the fact that this could be implemented tomorrow. AT&T has the resources and technology to add multitasking as well has tethering quickly.

The reason LNBC decided to wave alternative two was due to the cost and the advancement in technology that would be needed. Taking down towers and focusing on satellite reception would take a lot of time as well as much needed research and development. There is also a great deal of governmental regulations and restrictions that would keep this from becoming a reality in the near future. It is not something that can be done in a short time, which is what LNBC is focusing on accomplishing.

The other strategy that LNBC focused on is something that is already in the works. AT&T is in the process of buying out T-Mobile, however government restrictions and debate is still lingering around. Due to these barriers AT&T is not expecting this to fall into affect for a least one year if at all. The reason we didn't choose this alternative is because we felt it would work to our advantage to implement the features based strategy even if this buyout goes trough. Furthermore, AT&T drastically needs to implement this feature based strategy before they lose potentially millions of consumers to Verizon contracts as soon as June 2011. This could be drastic since most new contracts are two years in length. This is a long time to lose such a potentially large amount of business.

With this feature based strategy AT&T will be adding features that will attract and keep customers but also be gaining people and performance especially if the t-mobile buyout goes through. LNBC believes that with the short term goal of improving features and improving infrastructure in combination with the long term goal of buying out T-mobile AT&T will not only be adding a tremendous amount of customers but will be increasing overall infrastructure performance by adding many additional towers as well.

Implementation

LNBC has decided to implement an advertising campaign to spread the word of our features based strategy. With the cooperation of upper management within AT&T, it can be put into practice quickly. This is key for the success of this campaign due to the release date of the iPhone 5 in June 2011. The key matrix of this plan is highlighted in the following paragraphs.

The new features based strategy will be highlighted and advertised to all existing customers, competitor's customers and all mobile users skewing towards the traveling business person. LNBC calls these individuals the "Feature Fanatics". This Target Market includes the following demographics and psychographics:

Demographics

- Adults 18-44
- College graduates plus
- Occupations
    - Management, Business and Financial Operations
    - Sales and Office Occupations
- HHI: $75,000-$150,000+

Psychographics

- Take pleasure in rich media
- Enjoy being entertained
- Cannot live without adequate communication
- Love to learn

LNBC decided not to segment the market based on geography due to the fact that the penetration into the mobile market is so dense. Because of this it would not make since to break up the target market based on this factor thus LNBC will launch a nationwide advertising campaign through a variety of media channels highlighted in tables 9 and 10.

In order for this campaign to be successful this launch needs to be implemented before the end of May 2011 in order to keep customers from switching to Verizon when their contracts end in June. The faster our strategies implementation goes into effect the better off AT&T will be. Not only will it draw new customers but keep the old ones from transferring to other wireless service providers.

The changes in features that are highlighted in this campaign will be largely implemented by an administrative change that can be applied immediately. The tethering capabilities will need basic application development. LNBC will create a new app that will allow for consumers to download when tethering service is needed. This app can be designed within a relatively short period of time when the appropriate team is hired. New apps coast on average of $100,000 dollars which can be recovered by selling the app to consumers for $1.00. This app will give the consumer the ability to connect one device to the phones wireless Internet (osxdaily).

Since AT&T will be allowing their consumers to use more mobile data, infrastructure will need to be improved in order to handle the increase in data needs. Our long term goal is to increase the infrastructure to include a larger 4^{th} generation network. This can be accomplished two ways.

One would be the construction of new towers. It casts on average $150,000 for tower equipment and roughly $1,500 per month for the rental of land need for each tower. Currently AT&T has roughly 50,000 national cell phone towers. AT&T will need to erect and estimated 416.66 towers per month in order to keep up with the increase in data demand. This would increase their cell phone tower coverage by 10% in one year.

The other way to increase the number of 4g network infrastructure towers would be to push the government to approve the acquisition of T-Mobile. Exhibit 3 clearly shows the number of new 4g location AT&T would immediately acquire if the buyout was to go through. LNBC suggest that AT&T continue pushing for the buyout to go through. Not only will this would be an immediate solution to their weakness in infrastructure problems it will also be an acquisition of over 35 million consumers, making AT&T the largest mobile phone service provider.

Advertising Strategy

In order to spread the word of the new features of AT&T, LNBC will be launching a heavy media based advertising campaign. Using MRI+, it was determined that the media highlighted in tables 9and 10 will be used as a medium to spread the campaign to consumers. The campaign will include 30 second television commercials, magazine print ads, billboard signs, in-store signs and website ad-banners.

Tag Line: “The features of the future”

Implementation Assessment

Objectives

- **Keep current customers**
- **Expand customer base**
- **Increase mobile infrastructure**

Budget

Master Budget

The master budget gives a visual representation of how LNBC will allocate the implementation investment in order to increase customer base through advertising, increasing product capabilities, and establishing a nationwide 4g network.

The goal of increasing customer base will be accomplished through the creation of a user friendly app, extensive media advertising, administrative changes, and expanding infrastructure to create a nationwide 4g network. We will use internal resources to establish a development team for the creation of the tethering app which according to secondary research, is estimated at $100,000. The app will be created at cost using cash from equity accounts with great upside potential from app sales of $1 per app. The media budget is created by expanding AT&T's current annual spending in order to reach a specific target consumer. The 2010 media budget will be increased by 5% to $706 million to launch our new marketing campaign strategy. The administrative decision to allow unlimited data will not cost anything, but will have positive impact on our company image and implantation strategy. To establish a nationwide 4g network that can compete with Verizon's, we estimate the need to create 5,000 towers from May 2011 through April 2012. This will cost $750 million in tower creation and $7.5 million in land costs. Our $1.7 billion cash balance will allow us to create the app and expand our 4g network using cash instead of increasing our debt.

To determine the worth of one customer we took the overall sales revenue from 2010 and multiplied it by the percent of AT&T mobility's revenue share. AT&T mobility accounted for 45% of net sales, and then we took this total and divided it by the amount of wireless customers AT&T had at the end of 2010 fiscal year. The 95 million customers ended up being worth $587.37 each per year. This means that if we can increase our wireless customer base by 1.27 million customers in 2011 then we will be able to recuperate our implementation investment. Because AT&T is consistently retaining less customers each year our account receivables is decreasing at an increasing rate, thus we can also account for the implementation investment by decreasing the amount of customers lost by retaining 1.27 million customers. The investment in the app creation will create instant revenue from our customer once it is complete. In our budget we estimate that half of our customer base of 95 million will purchase this app during the year of our implementation producing $45 million of revenue and $44.9 million in profit. Accounting for this estimated increase in revenue from app sales we will need 1.27 million new customers to cover the costs of implementing our recommendation for AT&T's salient issue.

Media Budget

After analyzing what AT&T spent on media in 2010 LNBC decided to increase spending by 5%. It was then taken into consideration that AT&T mobility is 45% of AT&T as a whole. This increased the budget to a total of $706,036,400. This allows for plenty of revenue to allocate between all of the media platforms that are mentioned in the implementation section and in table 9.

Implementation Assessment

LNBC has created Table 9 and Table 10 specifically to show how our estimated revenue increase will counterbalance the original investment needed to implement our recommended strategy. In order to reach our goal each target area will need to be closely monitored in order to maintain the proper quarterly progress. Detailed below are the specific requirements needed to assess the progress of the implementation of our strategy.

The establishment of a nationwide 4g network is vital to AT&T's progression into the future and will be closely monitored quarterly to ensure that we reach our goal of creating 5,000 new 4g towers by April 2012. Upper management will be responsible for maintaining the creation of 1,250 4g towers each quarter. AT&T will also quarterly monitor how many customers have been lost and how many have been gained in order to determine if we are on track to achieve our goal of increasing our customer base by 1.27 million customers by April 2012. We will need to gain 106,000 customers per month or 317,000 per quarter in order to reach this goal. In April during the final assessment of this strategy if we have retained a greater percentage of the accounts receivables that we have previously been losing then this can also account for a portion of the 1.27 million customers needed.

Our estimate of selling the tethering app to 50% of current customers will be monitored quarterly in order to determine if we are on track to reach our goal. We will need to sell 13% of our customer base each quarter to be on track, but could possibly reach our goal of 50% in the first quarter with success form our marketing campaign. Depending on the sales revenue from the app AT&T may need to increase our customer base by less if the app sells to more than 50% of our customers.

In April 2012 we will need to have gained 1.27 million customers or retained a greater percentage of customers in order to deem this strategy successful. Through our marketing campaign, app creation, and establishment of nationwide 4g infrastructure we believe AT&T can overcome the salient issue. LNBC can state with great confidence that with proper execution of our proposed strategy AT&T can recover the costs of the original investment plus establish a new credibility among wireless customers that will launch the company into sustainable future success.

Bibliography

"AT&T Annual Report | Investor Relations | AT&T." *AT&T | Cell Phones, U-verse, Digital TV, DSL Internet, and Phone Service*. AT&T Inc. Web. 26 Apr. 2011. <http://www.att.com/gen/investor-relations?pid=9186>.

"AT&T's Acquisition of Alltel Assets from Verizon Wireless Close to Completion." *BGR*. Web. 03 May 2011. <http://www.bgr.com/2010/06/18/atts-acquisition-of-alltel-assets-from-verizon-wireless-close-to-completion/>.

"AT&T Company Information | AT&T About Us." *AT&T | Cell Phones, U-verse, Digital TV, DSL Internet, and Phone Service*. AT&T Intellectual Property. Web. 26 Apr. 2011. <http://www.att.com/gen/investor-relations?pid=5711>.

AT&T Inc. Financial Review 2009. Rep. *Annual Report*. Web. 26 Apr. 2011. <http://www.att.com/Common/about_us/annual_report/pdfs/ATT2009_Financials.pdf>.

AT&T Inc. Overview. Rep. DataMonitor, 31 May 2011. Web. 15 Mar. 2011. <http://www.marketlineinfo.com/library/DisplayContent.aspx?R=CFC08CD2-7B59-431D-A773-1F52563178E0&N=4294835256>.

AT&T Inc. Overview. Issue brief. *Marketline*. Web. 20 Apr. 2011. <http://www.marketlineinfo.com/library/DisplayContent.aspx?R=CFC08CD2-7B59-431D-A773-1F52563178E0&N=4294835256&selectedChapter=IDAXRBP#IDAXRBP>.

AT&T Inc. Rep. *Business Source Complete*. Web. 15 Mar. 2011. <http://http://web.ebscohost.com/bsi/pdf?vid=4&hid=111&sid=e5189557-e13d-4953-9ec6-15b766a7b4ad%40sessionmgr110>.

"AT&T Investor Relations | Quarterly Earnings - 4th Quarter | AT&T." *AT&T | Cell Phones, U-verse, Digital TV, DSL Internet, and Phone Service*. Web. 26 Apr. 2011. <http://www.att.com/gen/investor-relations?pid=262>.

"AT&T Media Kit | Retail." *AT&T | Cell Phones, U-verse, Digital TV, DSL Internet, and Phone Service*. Web. 26 Apr. 2011. <http://www.att.com/gen/press-room?pid=9183>.

"AT&T Quietly Launches HSPA 4G: LA, San Francisco, Chicago, Boston, Dallas Make the List Sidecut Reports." *Sidecut Reports*. Sidecut Reports, 02 Mar. 2011. Web. 26 Apr. 2011. <http://www.sidecutreports.com/2011/03/02/att-quietly-launches-hspa-4g-la-san-francisco-chicago-boston-dallas-make-the-list/>.

"Building a Cell Phone Tower." *Steel in the Air: Your Cell Tower Lease Experts*. Web. 26 Apr. 2011. <http://www.steelintheair.com/Building-your-own-cell-phone-tower.htm>.

Cella, Jason. *AT&T Mobility LLC*. Issue brief no. 102492000000000. *Hoovers*. Web. 06 Apr. 2011.

<http://subscriber.hoovers.com.libproxy.txstate.edu/H/company360/overview.html?companyId=102492000000000>.

"Cell Tower Info: Cingular and AT&T Lease Renegotiations." Cell Tower Info- Information about Cell Towers Provided by Industry Experts. Web. 01 May 2011. <http://www.celltowerinfo.com/CingularAWSLeaseRenegotiation.htm>.

Cox, John. "AT&T vs Verizon." *Network World*. Network World, 07 June 2010. Web. 26 Apr. 2011. <http://www.networkworld.com/news/2010/060710-tech-argument-att-verizon.html>.

"Cricket Communications, Inc.: Private Company Information - BusinessWeek." *Investing & Stock Research by Company and Industry - BusinessWeek*. Bloomberg L.P. Web. 20 Apr. 2011.<http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=3561260>.

Dolcourt, Jessica. "Verizon IPhone versus AT&T IPhone: CNET's Data Winner Is... (video) | IPhone Atlas - CNET Reviews." *Product Reviews - Electronics Reviews, Computer Reviews & More - CNET Reviews*. CBS Interactive, 02 Feb. 2011. Web. 26 Apr. 2011. <http://reviews.cnet.com/8301-19512_7-20030274-233.html>.

FactSet Research Systems Inc. *FactSet*. Austin: FactSet Research Systems Inc, 2010. Program documentation.

Form 10K. Rep. no. 1-8610. FactSet, 2010. Print.

Hakken, Nate. "BroadbandBreakfast.com: Verizon IPhone Not Threatening AT&T Market Share Yet, Say Analysts." *BroadbandBreakfast.com: Broadband Stimulus, Wireless Broadband, National Broadband Plan and More.* Broadbandbreakfast.com, 14 Feb. 2011. Web. 26 Apr. 2011. <http://broadbandbreakfast.com/2011/02/att-verizon-iPhone-market/>.

"Have You Been Approached by a Carrier to Lease Your Land for Cell Phone Tower?" *Steel in the Air: Your Cell Tower Lease Experts*. Web. 26 Apr. 2011. <http://www.steelintheair.com/Approached-by-a-Carrier.html>.

Herbert, Geoff. "AT&T vs. Verizon IPhone - A Comparison Chart to Help You Choose [Infographic] | Syracuse.com." *Syracuse NY Local News, Breaking News, Sports & Weather - Syracuse.com*. Syracuse.com, 02 Feb. 2011. Web. 26 Apr. 2011. <http://www.syracuse.com/news/index.ssf/2011/02/att_vs_verizon_iPhone_-_a_comp.html>.

Keizer, Gregg. "Apple Sets IPhone Debut for June 29 - Computerworld." *Computerworld - IT News, Features, Blogs, Tech Reviews, Career Advice*. Web. 29 Apr. 2011. <http://www.computerworld.com/s/article/9022900/Apple_sets_iPhone_debut_for_June_29>.

Lexnexis Inacademic. Rep. *Lexnexis Inacademic*. Web. 26 Apr. 2011. <http://www.lexisnexis.com/hottopics/lnacademic/>.

"Metropcs Communications Inc (PCS.N) Company Profile | Reuters.com." *Business & Financial News, Breaking US & International News | Reuters.com*. Thomson Reuters. Web. 20 Apr. 2011. <http://www.reuters.com/finance/stocks/companyProfile?symbol=PCS.N>.

"New Apple IPhone 3 Release Date - New 3G IPhone Release - UK Release Date." *Release Date for DVD's, CD's, Movies, Games, Tickets & Concerts - UK Release Dates*. Release Dates. Web. 26 Apr. 2011. <http://www.releasedates.org.uk/phones-pda/apple-iPhone-3.html>.

Patel, Manish. "IPhone Development Costs." *News, Tips, and Reviews for Mac, IPhone, and IPad - OS X Daily*. OS X Daily, 07 Sept. 2010. Web. 26 Apr. 2011. <http://osxdaily.com/2010/09/07/iPhone-development-costs/>.

Rapoport, Michael. "Big Firms Like AT&T, Verizon and Honeywell Change Their Pension Accounting - WSJ.com." *Business News & Financial News - The Wall Street Journal - Wsj.com*. Web. 03 May 2011. <http://online.wsj.com/article/SB10001424052748703662804576188843415326976.html>.

"Sprint Nextel Corp (S.N) Company Profile | Reuters.com." *Business & Financial News, Breaking US & International News | Reuters.com*. Thomson Reuters. Web. 20 Apr. 2011. <http://www.reuters.com/finance/stocks/companyProfile?symbol=S.N>.

"T Competitors | AT&T Inc. Stock - Yahoo! Finance." *Yahoo! Finance - Business Finance, Stock Market, Quotes, News*. Web. 26 Apr. 2011. <http://finance.yahoo.com/q/co?s=T>.

"T Income Statement | AT&T Inc. Stock - Yahoo! Finance." *Yahoo! Finance - Business Finance, Stock Market, Quotes, News*. Web. 26 Apr. 2011. <http://finance.yahoo.com/q/is?s=T>.

"T-Mobile USA, Inc. Company Profile - Yahoo! Finance." *Top News Archive - Yahoo! Finance*. MorningStar Inc. Web. 20 Apr. 2011. <http://biz.yahoo.com/ic/59/59771.html>.

"T Profile | AT&T Inc. Stock - Yahoo! Finance." *Yahoo! Finance - Business Finance, Stock Market, Quotes, News*. Web. 26 Apr. 2011. <http://finance.yahoo.com/q/pr?s=t>.

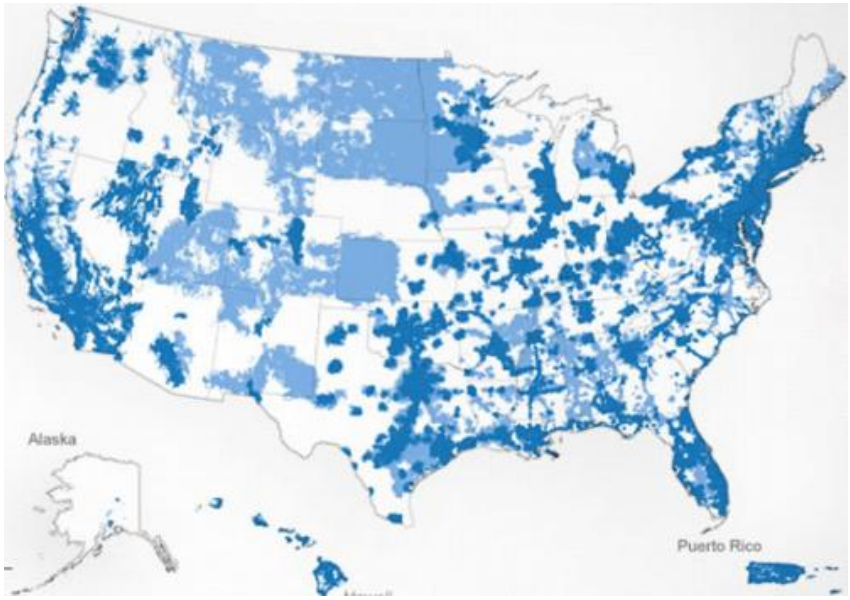
"TracFone Wireless, Inc.: Private Company Information - BusinessWeek." *Investing & Stock Research by Company and Industry - BusinessWeek*. Bloomberg L.P. Web. 20 Apr. 2011. <http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=1007041>

"Verizon Communications Inc (VZ) Company Profile | Reuters.com." *Business & Financial News, Breaking US & International News | Reuters.com*. Thomson Reuters. Web. 20 Apr. 2011. <http://www.reuters.com/finance/stocks/companyProfile?symbol=VZ>.

Ziberg, Christian. "IPhone 5 Available by June 20? - Business - Motley Fool - Msnbc.com." *Msnbc.com - Breaking News, Science and Tech News, World News, US News, Local News- Msnbc.com*. 20 Mar. 2011. Web. 26 Apr. 2011. <http://www.msnbc.msn.com/id/42183093/ns/business-motley_fool/>.

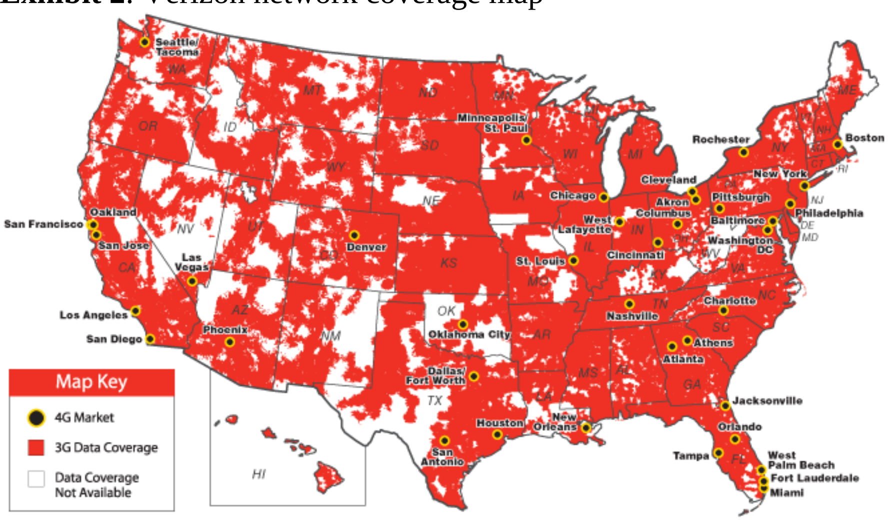
Appendix

Exhibit 1: AT&T network coverage map



source: www.iPhonedownloadblog.com

Exhibit 2: Verizon network coverage map



Source: Google rack space cloud

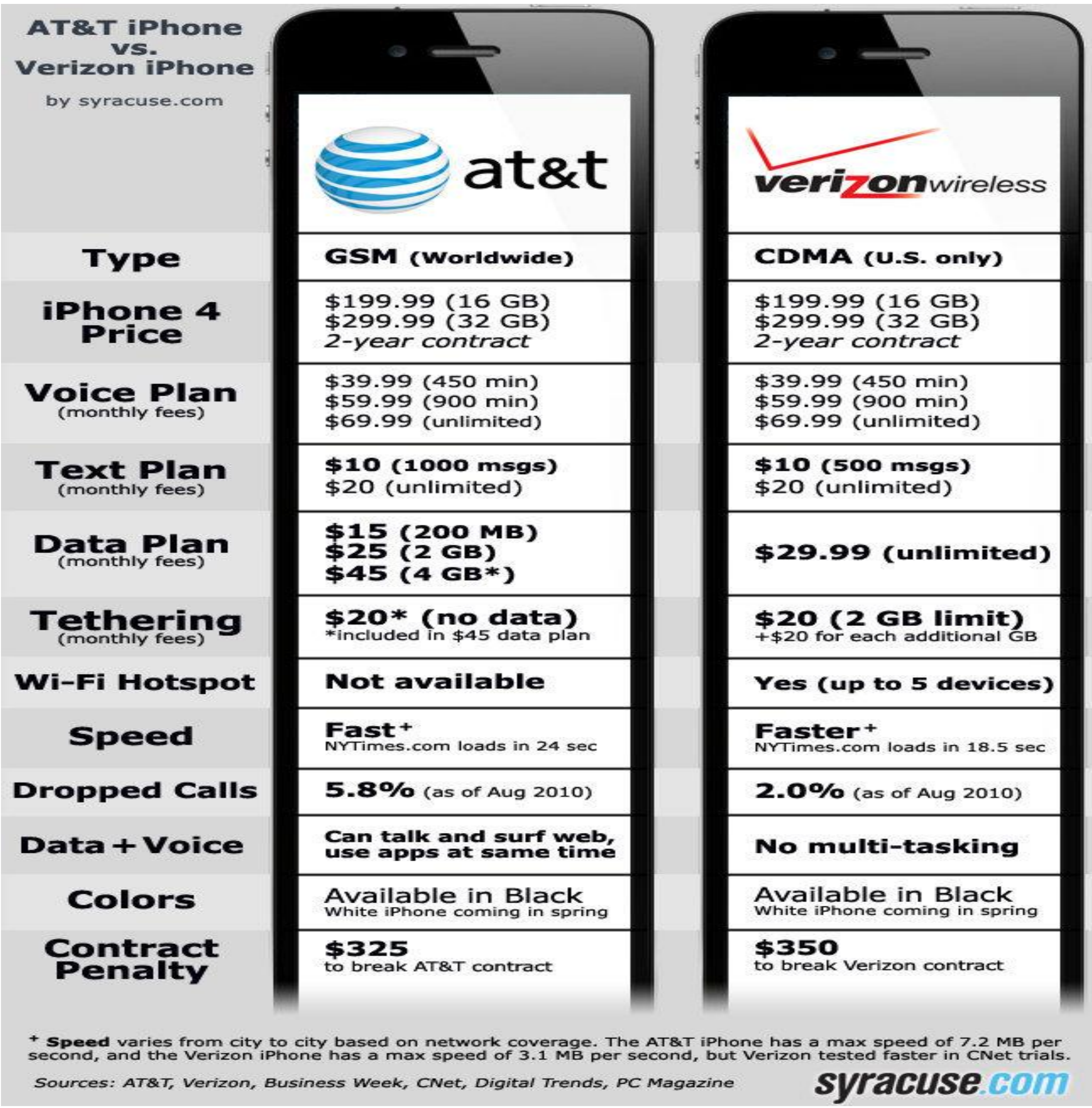
Exhibit 3: 4th generation cities

AT&T 4G
San Francisco
Chicago
Dallas/Fort Worth
Boston
Providence, R.I.
Houston
Charlotte, N.C.
Buffalo, N.Y.
Puerto Rico
Baltimore

Verizon 4G
Oakland, CA
San Fransisco, CA
San Jose, CA
San Diego, CA
Las Vegas, NV
Seattle, WA
Phoenix, AZ
Denver, CO
Minneapolis, MN
Oklahoma City, OK
Dallas/Forth, TX
San Antonio, TX
Houston, TX
New Orleans, LA
St. Louis, IL
Lafayette, IN
Detroit, MI
Cleavland, OH
Akron, OH
Columbus,OH
Cincinnati, OH
Nashville, TN
Jacksonville, FL
Orlando, FL
Tampa, FL
Miami, FL
Fort Lauderdale, FL
Wes Palm Beach, FL
Atlanta, GA
Athens, GA
Charlotte, NC
Pitsburgh, PA
Washington DC
Baltimore,MD
Philadelphia,PA
New York, NY
Rochester, NY
Boston, MA

T-Mobile 4G
Akron, OH
Albany, GA
Albany, NY
Albuquerque, NM
Allentown-Bethlehem, PA
Ames, IA
Anderson, IN
Ann Arbor, MI
Athens, GA
Atlanta, GA
Auburn-Opelika, AL
Augusta, GA
Austin, TX
Baltimore, MD
Baton Rouge, LA
Battle Creek, MI
Benton Harbor, MI
Biloxi, MS
Binghamton, NY
Birmingham, AL
Boise, ID
Boston, MA
Boulder , CO
Brunswick, GA
Buffalo, NY
Canton, OH
Carson City, NV
Champaign, IL
Charleston, SC
Charlotte, NC
Chattanooga, TN
Chicago, IL
Cincinnati, OH
Clarksville, TN
Cleveland, OH
Coeur d'Alene, ID
Colorado Springs, CO
Columbia, SC
Columbus, GA
Columbus, OH
Corpus Christi, TX
Dallas-Ft. Worth, TX
Dayton, OH
Deltona-Daytona Beach, FL
Denver, CO
Des Moines, IA
Detroit, MI
El Paso, TX
Elkhart, IN
Erie, PA
Eugene, OR
Flint, MI
Fort Collins, CO
Fresno, CA
Ft. Wayne, IN
Gainesville, FL
Gainesville, GA
Grand Junction, CO
Grand Rapids, MI
Greeley, CO
Greensboro, NC
Greenville, SC
Harlingen, TX
Harrisburg, PA
Hartford-New Haven, CT
Honolulu, HI
Houston, TX
Huntsville, AL
Indianapolis, IN
Jackson, MI
Jacksonville, FL
Kankakee, IL
Kansas City, MO
Killeen, TX
Knoxville, TN
Kokomo, IN
Lafayette, IN
Lakeland, FL
Lansing, MI
Lawrence, KS
Laredo, TX
Las Vegas, NV
Los Angeles, CA
Louisville, KY
Macon, GA
Manhattan, KS
Mayagüez, Puerto Rico
McAllen-Edinburg-Mission, TX
Memphis, TN
Merced, CA
Miami-Ft. Lauderdale, FL
Milwaukee, WI
Minneapolis, MN
Monterey, CA
Montgomery, AL
Muncie, IN
Myrtle Beach, SC
Napa, CA
Nashville, TN
New Orleans, LA
New York City, NY
Norfolk, VA
Oakland, CA
Oklahoma City, OK
Olympia, WA
Omaha, NE
Orlando, FL
Palm Bay-Melbourne, FL
Palm Coast, FL
Palm Springs, CA
Panama City, FL
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Ponce, Puerto Rico
Port Lucie, FL
Portland, OR
Providence, RI
Provo-Orem, UT
Racine, WI
Raleigh-Durham/Fayetteville, NC
Reno, NV
Richmond, VA
Roanoke-Lynchburg, VA
Rochester, MN
Rochester, NY
Rockford, IL
Sacramento, CA
Salem, OR
Salinas, CA
Salt Lake City, UT
San Antonio, TX
San Diego, CA
San Francisco, CA
San Jose, CA
Santa Rosa-Petaluma, CA
Savannah, GA
Seattle, WA
Sebastian-Vero Beach, FL
South Bend, IN
Spartanburg, SC
Spokane, WA
Springfield, OH
Springfield, IL
St. Cloud, MN
St. Louis, MO
Syracuse, NY
Tacoma, WA
Tampa, FL
Terre Haute, IN
Toledo, OH
Topeka, KS
Trenton-Ewing, NJ
Tucson, AZ
Tulsa, OK
Tuscaloosa, AL
Valdosta, GA
Vallejo-Fairfield, CA
Visalia, CA
Waco, TX
Warner Robins, GA
Washington, D.C.
West Palm Beach, FL
Wichita, KS
Wilmington, NC
Wichita Falls, TX
Youngstown, OH

Exhibit 4 : Features comparison chart



AT&T iPhone vs. Verizon iPhone
by syracuse.com

	at&t	verizon wireless
Type	GSM (Worldwide)	CDMA (U.S. only)
iPhone 4 Price	$199.99 (16 GB) $299.99 (32 GB) *2-year contract*	$199.99 (16 GB) $299.99 (32 GB) *2-year contract*
Voice Plan (monthly fees)	$39.99 (450 min) $59.99 (900 min) $69.99 (unlimited)	$39.99 (450 min) $59.99 (900 min) $69.99 (unlimited)
Text Plan (monthly fees)	$10 (1000 msgs) $20 (unlimited)	$10 (500 msgs) $20 (unlimited)
Data Plan (monthly fees)	$15 (200 MB) $25 (2 GB) $45 (4 GB*)	$29.99 (unlimited)
Tethering (monthly fees)	$20* (no data) *included in $45 data plan	$20 (2 GB limit) +$20 for each additional GB
Wi-Fi Hotspot	Not available	Yes (up to 5 devices)
Speed	Fast+ NYTimes.com loads in 24 sec	Faster+ NYTimes.com loads in 18.5 sec
Dropped Calls	5.8% (as of Aug 2010)	2.0% (as of Aug 2010)
Data + Voice	Can talk and surf web, use apps at same time	No multi-tasking
Colors	Available in Black White iPhone coming in spring	Available in Black White iPhone coming in spring
Contract Penalty	$325 to break AT&T contract	$350 to break Verizon contract

+ **Speed** varies from city to city based on network coverage. The AT&T iPhone has a max speed of 7.2 MB per second, and the Verizon iPhone has a max speed of 3.1 MB per second, but Verizon tested faster in CNet trials.

Sources: AT&T, Verizon, Business Week, CNet, Digital Trends, PC Magazine syracuse.com

Source: Syracuse.com

Exhibit 6: AT&T iPhone vs. Version iPhone

iPhone versus iPhone

	CNET GARAGE	TREASURE ISLAND	FINANCIAL DISTRICT	TWIN PEAKS
TEST 1: NUMBER OF BARS				
AT&T	4-5	4-5	5	1-5
Verizon	5	4-5	5	2-5
TEST 2: DOWNLOAD/UPLOAD SPEEDS*				
AT&T	Download: 40Kbps Upload: 28 Kbps	Download: 189Kbps Upload: 24 Kbps	Download: 116Kbps Upload: 173 Kbps	Download: 120Kbps Upload: 130 Kbps
Verizon	Download: 518Kbps Upload: 149 Kbps	Download: 440Kbps Upload: 66 Kbps	Download: 651Kbps Upload: 55 Kbps	Download: 543Kbps Upload: 174 Kbps
TEST 3: PHOTO UPLOADING				
AT&T	12 seconds	28 seconds	15 seconds	4 seconds
Verizon	8 seconds	9 seconds	8 seconds	5 seconds
TEST 4: LOADING A WEB SITE				
AT&T	33 seconds	28 seconds	17 seconds	12 seconds
Verizon	10 seconds	66 seconds	12 seconds	11 seconds

*Measurements taken from Root Metrics test.

TABLE 1 - Income Statement

AT&T Inc.

T 00206R102 2831811 NYSE — All figures in millions of U.S. Dollars

Income Statement (Industrial)

	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	29-Dec-06
	Final	Final	Final	Final	Final
Sales/Revenue	**124,280.0**	**123,018.0**	**124,028.0**	**118,928.0**	**63,055.0**
Cost of Goods Sold (COGS) incl. D&A	71,642.0	70,119.0	69,778.0	67,632.0	37,027.0
COGS excluding D&A	52,263.0	50,405.0	49,895.0	46,055.0	27,120.0
Depreciation & Amortization Expense	19,379.0	19,714.0	19,883.0	21,577.0	9,907.0
Depreciation	16,402.0	15,959.0	15,313.0	15,625.0	8,874.0
Amortization of Intangibles	2,977.0	3,755.0	4,570.0	5,952.0	1,033.0
Gross Income	**52,638.0**	**52,899.0**	**54,250.0**	**51,296.0**	**26,028.0**
SG&A Expense	33,065.0	31,407.0	31,187.0	30,892.0	14,614.0
Research & Development	1,345.0	986.0	832.0	985.0	223.0
Other SG&A	31,720.0	30,421.0	30,355.0	29,907.0	14,391.0
EBIT (Operating Income)	**19,573.0**	**21,492.0**	**23,063.0**	**20,404.0**	**11,414.0**
Nonoperating Income (Expense) - Net	995.0	254.0	139.0	615.0	393.0
Nonoperating Interest Income	110.0	100.0	107.0	166.0	377.0
Other Income (Expense)	885.0	154.0	32.0	449.0	16.0
Interest Expense	2,994.0	3,379.0	3,390.0	3,507.0	1,843.0
Gross Interest Expense	3,766.0	4,119.0	4,049.0	3,678.0	1,916.0
Interest Capitalized	772.0	740.0	659.0	171.0	73.0
Unusual Expense (Income) - Net	98.0	102.0	467.0	0.0	1,126.0
Fixed Assets Impairment	98.0	102.0	--	--	--
Other Unusual Expense	0.0	0.0	467.0	0.0	1,126.0
Pretax Income	**17,476.0**	**18,265.0**	**19,345.0**	**17,512.0**	**8,838.0**
Income Taxes	-1,162.0	6,156.0	7,036.0	6,253.0	3,525.0
Income Taxes - Current Domestic	448.0	4,052.0	1,174.0	5,903.0	3,344.0
Income Taxes - Current Foreign	0.0	--	-13.0	621.0	295.0
Income Taxes - Deferred Domestic	-1,610.0	2,104.0	5,163.0	-413.0	-139.0
Income Taxes - Deferred Foreign	0.0	--	726.0	173.0	53.0
Income Tax Credits	0.0	0.0	14.0	31.0	28.0
After-tax Adjustments - Net	447.0	426.0	558.0	692.0	2,043.0
Equity in Earnings of Affiliates	762.0	734.0	819.0	692.0	2,043.0

Consolidated Net Income	**19,400.0**	**12,843.0**	**13,128.0**	**11,951.0**	**7,356.0**
Minority Interest Expense	315.0	308.0	261.0	0.0	0.0
Net Income	**19,085.0**	**12,535.0**	**12,867.0**	**11,951.0**	**7,356.0**
Net Income available to Common	**19,085.0**	**12,535.0**	**12,867.0**	**11,951.0**	**7,356.0**
EPS (recurring)	3.226	2.128	2.214	1.938	2.087
EPS (basic)	3.360	2.120	2.170	1.950	1.890
EPS (diluted)	3.214	2.116	2.160	1.938	1.885
EBITDA	**38,952.0**	**41,206.0**	**42,946.0**	**41,981.0**	**21,321.0**
EBIT	19,573.0	21,492.0	23,063.0	20,404.0	11,414.0
Depreciation & Amortization Expense	19,379.0	19,714.0	19,883.0	21,577.0	9,907.0

TABLE 2 – Common-Sized Income Statement

AT&T Inc.

T 00206R102 2831811 NYSE

Income Statement (Industrial)

	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	29-Dec-06
	Final	Final	Final	Final	Final
Sales/Revenue	100%	100%	100%	100%	100%
Cost of Goods Sold (COGS) incl. D&A	58%	57%	56%	57%	59%
COGS excluding D&A	42%	41%	40%	39%	43%
Depreciation & Amortization Expense	16%	16%	16%	18%	16%
Depreciation	13%	13%	12%	13%	14%
Amortization of Intangibles	2%	3%	4%	5%	2%
Gross Income	42%	43%	44%	43%	41%
	0%	0%	0%	0%	0%
SG&A Expense	27%	26%	25%	26%	23%
Research & Development	1%	1%	1%	1%	0%
Other SG&A	26%	25%	24%	25%	23%
EBIT (Operating Income)	16%	17%	19%	17%	18%
	0%	0%	0%	0%	0%
Nonoperating Income (Expense) - Net	1%	0%	0%	1%	1%
Nonoperating Interest Income	0%	0%	0%	0%	1%
Other Income (Expense)	1%	0%	0%	0%	0%
Interest Expense	2%	3%	3%	3%	3%
Gross Interest Expense	3%	3%	3%	3%	3%

Interest Capitalized	1%	1%	1%	0%	0%
Unusual Expense (Income) - Net	0%	0%	0%	0%	2%
Fixed Assets Impairment	0%	0%	0%	0%	0%
Other Unusual Expense	0%	0%	0%	0%	2%
Pretax Income	14%	15%	16%	15%	14%
	0%	0%	0%	0%	0%
Income Taxes	-1%	5%	6%	5%	6%
Income Taxes - Current Domestic	0%	3%	1%	5%	5%
Income Taxes - Current Foreign	0%	0%	0%	1%	0%
Income Taxes - Deferred Domestic	-1%	2%	4%	0%	0%
Income Taxes - Deferred Foreign	0%	0%	1%	0%	0%
Income Tax Credits	0%	0%	0%	0%	0%
After-tax Adjustments - Net	0%	0%	0%	1%	3%
Equity in Earnings of Affiliates	1%	1%	1%	1%	3%
Consolidated Net Income	16%	10%	11%	10%	12%
Minority Interest Expense	0%	0%	0%	0%	0%
Net Income	15%	10%	10%	10%	12%
	0%	0%	0%	0%	0%
Net Income available to Common	15%	10%	10%	10%	12%
	0%	0%	0%	0%	0%
EPS (recurring)	0%	0%	0%	0%	0%
EPS (basic)	0%	0%	0%	0%	0%
EPS (diluted)	0%	0%	0%	0%	0%
	0%	0%	0%	0%	0%
EBITDA	31%	33%	35%	35%	34%
EBIT	16%	17%	19%	17%	18%
Depreciation & Amortization Expense	16%	16%	16%	18%	16%

TABLE 3 - Projected Income Statement

AT&T Inc.

T 00206R102 2831811 NYSE	All figures in millions of U.S. Dollars					
Income Statement (Industrial)						
	31-Dec-12	**31-Dec-11**	**31-Dec-10**	**31-Dec-09**	**31-Dec-08**	**31-Dec-07**
	Final	**Final**	Final	Final	Final	Final
	2012	2011	2010	2009	2008	2007
Sales/Revenue	**127,829.6**	**126,325.0**	**124,280.0**	**123,018.0**	**124,028.0**	**118,928.0**
Cost of Goods Sold (COGS) incl. D&A	73,688.2	72,820.9	71,642.0	70,119.0	69,778.0	67,632.0
COGS excluding D&A	53,755.7	53,123.0	52,263.0	50,405.0	49,895.0	46,055.0
Depreciation & Amortization Expense	19,932.5	19,697.9	19,379.0	19,714.0	19,883.0	21,577.0
Depreciation	16,870.5	16,671.9	16,402.0	15,959.0	15,313.0	15,625.0
Amortization of Intangibles	3,062.0	3,026.0	2,977.0	3,755.0	4,570.0	5,952.0
Gross Income	**54,141.4**	**53,504.1**	**52,638.0**	**52,899.0**	**54,250.0**	**51,296.0**
	-	-				
SG&A Expense	34,009.4	33,609.1	33,065.0	31,407.0	31,187.0	30,892.0
Research & Development	1,383.4	1,367.1	1,345.0	986.0	832.0	985.0
Other SG&A	32,626.0	32,241.9	31,720.0	30,421.0	30,355.0	29,907.0
EBIT (Operating Income)	**20,132.0**	**19,895.1**	**19,573.0**	**21,492.0**	**23,063.0**	**20,404.0**
	-	-				
Nonoperating Income (Expense) - Net	1,023.4	1,011.4	995.0	254.0	139.0	615.0
Nonoperating Interest Income	113.1	111.8	110.0	100.0	107.0	166.0
Other Income (Expense)	910.3	899.6	885.0	154.0	32.0	449.0
Interest Expense	3,079.5	3,043.3	2,994.0	3,379.0	3,390.0	3,507.0
Gross Interest Expense	3,873.6	3,828.0	3,766.0	4,119.0	4,049.0	3,678.0
Interest Capitalized	794.0	784.7	772.0	740.0	659.0	171.0
Unusual Expense (Income) - Net	100.8	99.6	98.0	102.0	467.0	0.0
Fixed Assets Impairment	100.8	99.6	98.0	102.0	--	--
Other Unusual Expense	-	-	0.0	0.0	467.0	0.0

Pretax Income	**17,975.1**	**17,763.6**	**17,476.0**	**18,265.0**	**19,345.0**	**17,512.0**
	-	-				
Income Taxes	(1,195.2)	(1,181.1)	-1,162.0	6,156.0	7,036.0	6,253.0
Income Taxes - Current Domestic	460.8	455.4	448.0	4,052.0	1,174.0	5,903.0
Income Taxes - Current Foreign	-	-	0.0	--	-13.0	621.0
Income Taxes - Deferred Domestic	(1,656.0)	(1,636.5)	-1,610.0	2,104.0	5,163.0	-413.0
Income Taxes - Deferred Foreign	-	-	0.0	--	726.0	173.0
Income Tax Credits	-	-	0.0	0.0	14.0	31.0
After-tax Adjustments - Net	459.8	454.4	447.0	426.0	558.0	692.0
Equity in Earnings of Affiliates	783.8	774.5	762.0	734.0	819.0	692.0
Consolidated Net Income	**19,954.1**	**19,719.2**	**19,400.0**	**12,843.0**	**13,128.0**	**11,951.0**
Minority Interest Expense	324.0	320.2	315.0	308.0	261.0	0.0
Net Income	**19,630.1**	**19,399.0**	**19,085.0**	**12,535.0**	**12,867.0**	**11,951.0**
	-	-				
Net Income available to Common	**19,630.1**	**19,399.0**	**19,085.0**	**12,535.0**	**12,867.0**	**11,951.0**
	-	-				
EPS (recurring)	3.3	3.3	3.226	2.128	2.214	1.938
EPS (basic)	3.5	3.4	3.360	2.120	2.170	1.950
EPS (diluted)	3.3	3.3	3.214	2.116	2.160	1.938
	-	-				
EBITDA	**40,064.5**	**39,592.9**	**38,952.0**	**41,206.0**	**42,946.0**	**41,981.0**
EBIT	20,132.0	19,895.1	19,573.0	21,492.0	23,063.0	20,404.0
Depreciation & Amortization Expense	19,932.5	19,697.9	19,379.0	19,714.0	19,883.0	21,577.0

Table 4 - Historical Balance Sheet

AT&T Inc.

T 00206R102 2831811 NYSE — All figures in millions of U.S. Dollars

Balance Sheet (Industrial)

	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	29-Dec-06
	Final	Final	Final	Final	Final
Assets					
Cash & ST Investments	1,437.0	3,802.0	1,792.0	1,970.0	2,418.0
Cash Only	332.0	437.0	958.0	889.0	1,324.0
Total Short Term Investments	1,105.0	3,365.0	834.0	1,081.0	1,094.0
Total Accounts Receivable	13,610.0	14,978.0	16,047.0	16,185.0	16,194.0
Accounts Receivables, Net	13,610.0	14,978.0	16,047.0	--	--
Accounts Receivables, Gross	14,567.0	16,183.0	17,317.0	1,364.0	1,276.0
Bad Debt/Doubtful Accounts	-957.0	-1,205.0	-1,270.0	-1,364.0	-1,276.0
Inventories	1,303.0	885.0	0.0	0.0	0.0
Finished Goods	1,185.0	790.0	0.0	0.0	0.0
Progress Payments & Other	118.0	95.0	0.0	0.0	0.0
Other Current Assets	3,601.0	4,669.0	4,717.0	6,531.0	6,941.0
Prepaid Expenses	1,458.0	1,572.0	1,538.0	1,524.0	1,477.0
Miscellaneous Current Assets	2,143.0	3,097.0	3,179.0	5,007.0	5,464.0
Total Current Assets	**19,951.0**	**24,334.0**	**22,556.0**	**24,686.0**	**25,553.0**
Net Property, Plant & Equipment	103,196.0	100,093.0	99,088.0	95,890.0	94,596.0
Property, Plant & Equipment - Gross	243,833.0	230,552.0	218,579.0	210,518.0	202,149.0
Buildings	25,979.0	24,271.0	23,372.0	23,670.0	23,481.0
Land & Improvements	1,694.0	1,724.0	1,730.0	1,860.0	1,925.0
Machinery & Equipment	126,229.0	74,325.0	72,109.0	68,676.0	64,483.0
Construction in Progress	4,980.0	3,159.0	3,532.0	3,776.0	3,137.0
Computer Software and Equipment	9,219.0	8,841.0	8,348.0	9,298.0	11,678.0
Other Property, Plant & Equipment	75,732.0	118,232.0	109,488.0	103,238.0	97,445.0
Accumulated Depreciation	140,637.0	130,459.0	119,491.0	114,628.0	107,553.0
Total Investments and Advances	4,515.0	2,921.0	2,332.0	2,270.0	1,995.0
Intangible Assets	134,121.0	135,082.0	135,541.0	129,115.0	127,397.0
Net Goodwill	73,601.0	73,259.0	71,829.0	70,713.0	67,657.0
Net Other Intangibles	60,520.0	61,823.0	63,712.0	58,402.0	59,740.0
Other Assets	6,705.0	6,322.0	5,728.0	23,683.0	21,093.0
Deferred Charges	--	--	--	17,291.0	14,228.0
Tangible Other Assets	6,705.0	6,322.0	5,728.0	6,392.0	6,865.0
Total Assets	**268,488.0**	**268,752.0**	**265,245.0**	**275,644.0**	**270,634.0**
Liabilities & Shareholders' Equity					

ST Debt & Curr. Portion LT Debt	7,196.0	7,361.0	14,119.0	6,860.0	9,733.0
Commercial Paper - Unsec.	1,625.0	--	4,575.0	--	--
Other Borrowings - Unsec.	27.0	33.0	41.0	--	--
LTD Current (Debt/Capital Leases)	5,544.0	7,328.0	9,503.0	--	--
Accounts Payable	7,437.0	7,514.0	6,921.0	7,059.0	6,919.0
Income Tax Payable	72.0	1,696.0	1,874.0	5,027.0	3,026.0
Other Current Liabilities	19,246.0	20,134.0	19,376.0	20,328.0	20,804.0
Dividends Payable	2,542.0	2,479.0	2,416.0	2,417.0	2,215.0
Accrued Payroll	5,157.0	4,451.0	3,739.0	4,305.0	3,111.0
Miscellaneous Current Liabilities	11,547.0	13,204.0	13,221.0	13,606.0	15,478.0
Total Current Liabilities	**33,951.0**	**36,705.0**	**42,290.0**	**39,274.0**	**40,482.0**
Long-Term Debt	58,971.0	64,720.0	60,872.0	57,255.0	50,063.0
Term Loans	14.0	136.0	138.0	136.0	141.0
Notes/Bonds	64,029.0	70,071.0	68,463.0	60,474.0	51,882.0
Other	472.0	1,841.0	1,774.0	1,584.0	2,454.0
Adjustments - Other	213.0	1,604.0	1,607.0	1,383.0	2,243.0
Capital Leases	259.0	237.0	167.0	201.0	211.0
Current Portion of LTD	-5,544.0	-7,328.0	-9,503.0	-4,939.0	-4,414.0
Provision for Risks & Charges	28,803.0	27,849.0	34,044.0	26,312.0	31,371.0
Deferred Taxes	22,070.0	23,803.0	19,196.0	25,089.0	27,587.0
Other Liabilities	12,743.0	13,350.0	12,496.0	12,347.0	5,591.0
Other Liabilities (excl. Deferred Income)	11,171.0	12,841.0	10,848.0	10,206.0	3,527.0
Deferred Income	1,572.0	509.0	1,648.0	2,141.0	2,064.0
Total Liabilities	**156,538.0**	**166,427.0**	**168,898.0**	**160,277.0**	**155,094.0**
Common Equity	111,647.0	101,900.0	96,347.0	115,367.0	115,540.0
Common Stock Par/Carry Value	6,495.0	6,495.0	6,495.0	6,495.0	6,495.0
Additional Paid-In Capital/Capital Surplus	91,731.0	91,707.0	91,728.0	91,638.0	91,352.0
Retained Earnings	31,792.0	39,366.0	36,591.0	33,297.0	30,375.0
Cumulative Translation	-674.0	-619.0	-1,395.0	-695.0	-660.0
Unrealized Gain/Loss Marketable Securities	316.0	324.0	100.0	375.0	345.0
Other Appropriated Reserves	3,070.0	-14,113.0	-15,762.0	-60.0	-4,999.0
Treasury Stock	-21,083.0	-21,260.0	-21,410.0	-15,683.0	-7,368.0
Total Shareholders' Equity	**111,647.0**	**101,900.0**	**96,347.0**	**115,367.0**	**115,540.0**
Accumulated Minority Interest	303.0	425.0	0.0	0.0	0.0
Total Equity	**111,950.0**	**102,325.0**	**96,347.0**	**115,367.0**	**115,540.0**
Liabilities & Shareholders' Equity	**268,488.0**	**268,752.0**	**265,245.0**	**275,644.0**	**270,634.0**

Cash Conversion Cycle (Days)	9.7	11.2	--	--	--
Days of Sales Outstanding	42.0	46.0	47.4	49.7	73.9
Days of Inventory on Hand	5.6	2.3	--	--	--
Days of Payables Outstanding	37.9	37.1	36.6	37.7	56.1
Book Value per Share	18.89	17.27	16.35	19.09	18.52
Tangible Book Value per Share	-3.80	-5.62	-6.65	-2.27	-1.90
Tangible Book Value per Share	-3.80	-5.62	-6.65	-2.27	-1.90

TABLE 5 - Common-Sized Balance Sheet

AT&T Inc.

T 00206R102 2831811 NYSE — All figures in millions of U.S. Dollars

Balance Sheet (Industrial)

	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	29-Dec-06
	Final	Final	Final	Final	Final
Assets					
Cash & ST Investments	1%	1%	1%	1%	1%
Cash Only	0%	0%	0%	0%	0%
Total Short Term Investments	0%	1%	0%	0%	0%
Total Accounts Receivable	5%	6%	6%	6%	6%
Accounts Receivables, Net	5%	6%	6%	0%	0%
Accounts Receivables, Gross	5%	6%	7%	0%	0%
Bad Debt/Doubtful Accounts	0%	0%	0%	0%	0%
Inventories	0%	0%	0%	0%	0%
Finished Goods	0%	0%	0%	0%	0%
Progress Payments & Other	0%	0%	0%	0%	0%
Other Current Assets	1%	2%	2%	2%	3%
Prepaid Expenses	1%	1%	1%	1%	1%
Miscellaneous Current Assets	1%	1%	1%	2%	2%
Total Current Assets	7%	9%	9%	9%	9%
	0%	0%	0%	0%	0%
Net Property, Plant & Equipment	38%	37%	37%	35%	35%
Property, Plant & Equipment - Gross	91%	86%	82%	76%	75%
Buildings	10%	9%	9%	9%	9%
Land & Improvements	1%	1%	1%	1%	1%
Machinery & Equipment	47%	28%	27%	25%	24%
Construction in Progress	2%	1%	1%	1%	1%
Computer Software and Equipment	3%	3%	3%	3%	4%
Other Property, Plant & Equipment	28%	44%	41%	37%	36%
Accumulated Depreciation	52%	49%	45%	42%	40%
Total Investments and Advances	2%	1%	1%	1%	1%
Intangible Assets	50%	50%	51%	47%	47%
Net Goodwill	27%	27%	27%	26%	25%
Net Other Intangibles	23%	23%	24%	21%	22%
Other Assets	2%	2%	2%	9%	8%
Deferred Charges	0%	0%	0%	6%	5%
Tangible Other Assets	2%	2%	2%	2%	3%
Total Assets	100%	100%	100%	100%	100%
	0%	0%	0%	0%	0%

Liabilities & Shareholders' Equity	0%	0%	0%	0%	0%
ST Debt & Curr. Portion LT Debt	3%	3%	5%	2%	4%
Commercial Paper - Unsec.	1%	0%	2%	0%	0%
Other Borrowings - Unsec.	0%	0%	0%	0%	0%
LTD Current (Debt/Capital Leases)	2%	3%	4%	0%	0%
Accounts Payable	3%	3%	3%	3%	3%
Income Tax Payable	0%	1%	1%	2%	1%
Other Current Liabilities	7%	7%	7%	7%	8%
Dividends Payable	1%	1%	1%	1%	1%
Accrued Payroll	2%	2%	1%	2%	1%
Miscellaneous Current Liabilities	4%	5%	5%	5%	6%
Total Current Liabilities	13%	14%	16%	14%	15%
	0%	0%	0%	0%	0%
Long-Term Debt	22%	24%	23%	21%	18%
Term Loans	0%	0%	0%	0%	0%
Notes/Bonds	24%	26%	26%	22%	19%
Other	0%	1%	1%	1%	1%
Adjustments - Other	0%	1%	1%	1%	1%
Capital Leases	0%	0%	0%	0%	0%
Current Portion of LTD	-2%	-3%	-4%	-2%	-2%
Provision for Risks & Charges	11%	10%	13%	10%	12%
Deferred Taxes	8%	9%	7%	9%	10%
Other Liabilities	5%	5%	5%	4%	2%
Other Liabilities (excl. Deferred Income)	4%	5%	4%	4%	1%
Deferred Income	1%	0%	1%	1%	1%
Total Liabilities	58%	62%	64%	58%	57%
	0%	0%	0%	0%	0%
	0%	0%	0%	0%	0%
Common Equity	42%	38%	36%	42%	43%
Common Stock Par/Carry Value	2%	2%	2%	2%	2%
Additional Paid-In Capital/Capital Surplus	34%	34%	35%	33%	34%
Retained Earnings	12%	15%	14%	12%	11%
Cumulative Translation	0%	0%	-1%	0%	0%
Unrealized Gain/Loss Marketable Securities	0%	0%	0%	0%	0%
Other Appropriated Reserves	1%	-5%	-6%	0%	-2%
Treasury Stock	-8%	-8%	-8%	-6%	-3%
	0%	0%	0%	0%	0%
Total Shareholders' Equity	42%	38%	36%	42%	43%
Accumulated Minority Interest	0%	0%	0%	0%	0%
Total Equity	42%	38%	36%	42%	43%
	0%	0%	0%	0%	0%
Liabilities & Shareholders' Equity	100%	100%	100%	100%	100%

TABLE 6 - Financial Ratios & Competitor Comparison

All figures in millions of U.S. Dollars

	AT&T Inc.			Verizon Communications Inc.
	T 00206R102 2831811 NYSE			VZ 92343V104 2090571 NYSE
	Year/Year growth			Year/Year growth
	31-Dec-10	**31-Dec-09**	**31-Dec-08**	**31-Dec-10**
	Final	Final	Final	Final
Income Statement				
Sales/Revenue	124,280.0	123,018.0	124,028.0	106,565.0
Sales/Revenue Growth	*1.0%*	*-0.8%*	*4.3%*	*-1.2%*
Gross Income	52,638.0	52,899.0	54,250.0	46,011.0
Gross Income Growth	*-0.5%*	*-2.5%*	*5.8%*	*-2.1%*
Gross Margin	*42.4%*	*43.0%*	*43.7%*	*43.2%*
EBIT	19,573.0	21,492.0	23,063.0	14,645.0
EBIT Growth	*-8.9%*	*-6.8%*	*13.0%*	*-16.2%*
EBIT Margin	*15.7%*	*17.5%*	*18.6%*	*13.7%*
EBITDA	38,952.0	41,206.0	42,946.0	31,050.0
EBITDA Growth	*-5.5%*	*-4.1%*	*2.3%*	*-8.7%*
EBITDA Margin	*31.3%*	*33.5%*	*34.6%*	*29.1%*
Net Income	19,085.0	12,535.0	12,867.0	2,549.0
Net Income Growth	*52.3%*	*-2.6%*	*7.7%*	*-30.2%*
Net Margin	*15.4%*	*10.2%*	*10.4%*	*2.4%*
Balance Sheet				
Cash & Short Term Investments	1,437.0	3,802.0	1,792.0	7,213.0
Cash & ST Investments Growth	*-62.2%*	*112.2%*	*-9.0%*	*188.6%*
Cash & ST Investments / Total Assets	*0.5%*	*1.4%*	*0.7%*	*3.3%*
Total Assets	268,488.0	268,752.0	265,245.0	220,005.0
Total Assets Growth	*-0.1%*	*1.3%*	*-3.8%*	*-3.2%*
Asset Turnover	*0.5x*	*0.5x*	*0.5x*	*0.5x*
Return on Assets (ROA)	*7.1%*	*4.7%*	*4.8%*	*1.1%*
Total Debt	66,167.0	72,081.0	74,991.0	52,794.0
Total Debt Growth	*-8.2%*	*-3.9%*	*17.0%*	*-15.2%*
Total Debt / Total Assets	*24.6%*	*26.8%*	*28.3%*	*24.0%*
Total Debt / Total Equity	*59.3%*	*70.7%*	*77.8%*	*136.9%*
Total Liabilities	156,538.0	166,427.0	168,898.0	133,093.0

Total Liabilities Growth	*-5.9%*	*-1.5%*	*5.4%*	*-6.9%*
Total Shareholders' Equity	111,647.0	101,900.0	96,347.0	38,569.0
Total Shareholders' Equity / Total Assets	*41.6%*	*37.9%*	*36.3%*	*17.5%*
Return on Equity (ROE)	*17.9%*	*12.6%*	*12.2%*	*6.4%*
Cash Flow				
Net Operating Cash Flow	34,993.0	34,445.0	33,656.0	33,363.0
Net Operating Cash Flow Growth	*1.6%*	*2.3%*	*-1.2%*	*5.7%*
Capital Expenditures	19,530.0	17,335.0	20,335.0	16,458.0
Capital Expenditures Growth	*12.7%*	*-14.8%*	*14.8%*	*-3.5%*
Net Investing Cash Flow	-21,449.0	-17,925.0	-29,143.0	-15,054.0
Net Investing Cash Flow Growth	*-19.7%*	*38.5%*	*-57.5%*	*35.5%*
Net Financing Cash Flow	-15,848.0	-14,510.0	-4,691.0	-13,650.0
Net Financing Cash Flow Growth	*-9.2%*	*-209.3%*	*70.7%*	*14.7%*
Free Cash Flow	5,547.0	7,440.0	3,814.0	11,493.0
Free Cash Flow Growth	*-25.4%*	*95.1%*	*-49.9%*	*24.3%*
Free Cash Flow Yield	*3.18%*	*4.48%*	*2.25%*	*11.34%*
Ratios				
Price/Earnings	8.8x	13.2x	13.2x	39.8x
Price/Sales	1.4x	1.3x	1.4x	1.0x
Price/Book Value	1.6x	1.6x	1.7x	2.6x
Price/Cash Flow	5.0x	4.8x	5.0x	3.0x
Price/Free Cash Flow	31.5x	22.3x	44.5x	8.8x
Enterprise Value/EBIT	12.2x	10.9x	10.5x	13.3x
Enterprise Value/EBITDA	6.1x	5.7x	5.6x	6.3x
Enterprise Value/Sales	1.9x	1.9x	1.9x	1.8x
EBIT/Interest Expense (Int. Coverage)	5.2x	5.2x	5.7x	4.2x
Quick Ratio	0.5x	0.6x	0.5x	0.6x
Current	0.6x	0.7x	0.5x	0.6x
Pension				
Pension Funded Status	-6,296.0	-3,977.0	-3,994.0	-3,403.0
Pension Expense	2,202.0	578.0	-967.0	777.0

Health Care Funded Status	-23,891.0	-24,712.0	-27,356.0	-22,773.0
Health Care Expense	1,548.0	1,343.0	1,291.0	3,211.0
Supplemental				
Stock Option Comp Exp (Net of Tax)	317.0	196.0	99.6	500.0
Operating Lease Commitments	24,804.0	20,558.0	20,444.0	12,633.0
Long Term Debt Maturities	5,544.0	7,328.0	9,503.0	7,542.0
Per Share				
EPS (recurring)	3.226	2.128	2.214	0.900
EPS (recurring) Growth	*51.58%*	*-3.90%*	*14.25%*	*-57.90%*
EPS (diluted)	3.214	2.116	2.160	0.900
EPS (diluted) Growth	*51.89%*	*-2.02%*	*11.42%*	*-29.98%*
EPS (basic)	3.360	2.120	2.170	0.900
EPS (basic) Growth	*58.49%*	*-2.30%*	*11.28%*	*-30.23%*
Sales per Share	21.02	20.85	20.93	37.66
Sales per Share Growth	*0.80%*	*-0.36%*	*7.81%*	*-0.77%*
Dividends per Share	1.69	1.65	1.61	1.93
Dividends per Share Growth	*2.42%*	*2.48%*	*9.90%*	*2.94%*
Book Value per Share	18.89	17.27	16.35	13.64
Book Value per Share Growth	*9.40%*	*5.60%*	*-14.35%*	*-7.02%*
Tangible Book Value per Share	-3.80	-5.62	-6.65	-22.02
Tangible Book Value per Share Growth	*32.38%*	*15.47%*	*-192.37%*	*-4.59%*
Cash Flow Per Share	5.89	5.81	5.65	11.78
Cash Flow per Share Growth	*1.35%*	*2.93%*	*2.29%*	*5.99%*
Free Cash Flow per Share	0.93	1.26	0.64	4.06
Free Cash Flow per Share Growth	*-25.62%*	*96.19%*	*-48.11%*	*24.64%*
Common Shares Outstanding	**5,913.00**	**5,900.00**	**5,927.00**	**2,830.00**
Dividend Yield	5.75%	5.89%	5.65%	5.38%

Table 7: Master Budget

2011 Master Budget - Implementation			*All numbers in millions of US Dollars*		
Operating Expenses	Strategy	Implementation	Increase from 2010 to 2011	2011	2010
Cost of services and sales	App Production	cost of production; .10	0.1	50405.1	50405
Selling, general and administrative	Marketing Campaign	5% increase; 35.3	35.3		31407
	Increase in 4g Towers	Towers; 750 , Land; 7.5	757.5	32199.8	
Depreciation and Amortization				19714	19714
Total Operating Expenses			**$ 793**	***$ 102,319***	***$ 101,526***
Budget 2011 - Operating Revenues	Strategy	Implementation	Increase from 2010 to 2011	**2011**	**2010**
Sales	Increase customers	$587.37 per customer gain 1,273,473 customers	748	125,028	124,280
	App Sales	$1 sold to 50% of customers; + 45	45	45	
Total Revenues			**$ 793**	**$ 125,073**	**$ 124,280**

Table 8: Historical Media Analysis

AT&T 2010 Media Budget (000)		**AT&T Mobility = 45% of AT&T Total Budget**	
			5% increase
Magazines	$45,688.40	$22,844.20	$23,986.41
TV	$906,729.70	$453,364.85	$476,033.09
CABLE	$309,301.20	$154,650.60	$162,383.13
Outdoor	$51,201.70	$25,600.85	$26,880.89
Newspaper	$32,624.50	$16,312.25	$17,127.86
TOTAL Media Allowance			**$706,411.39**

Table 9: Media Budget

Media Budget					
Cable	Spot Per day	days per month	numer of months	price / 30 sec spot	Price
Adult Swim	4	30	7	$30,000	$25,200,000
Fuel	4	30	7	$30,000	$25,200,000
ESPN classic	4	30	7	$30,000	$25,200,000
Total					$75,600,000
Magazines	Frequency	price per page	# of pages		Price
Cigar Aficionado	12	$127,500	1		$1,530,000
The Economist	52	$50,900	1		$2,646,800
Fortune	25	$159,600	1		$3,990,000
GQ	12	$94,800	1		$1,137,600
Macworld	12	$138,500	1		$1,662,000
Total					$10,966,400
TV	Spot Per day	days per month	numer of months	price / 30 sec spot	Price
Football Games	2	30	9	$145,600	$78,624,000
Hockey Games	2	30	7	$145,600	$61,152,000
Late Night Talk	3	30	12	$47,150	$50,922,000
Total					$190,698,000
Web Banner ads	Frequency per day	price per impression/i	# of days per month	# of months	Price
USA Today.com	300,000	$0.075	30	12	$8,100,000
Ebay.com	2,400,000	$0.075	30	12	$64,800,000
Trip advisor.com	500,000	$0.075	30	12	$13,500,000
Total					$86,400,000
In-Store	# of displayes	#of stores	# of months	Price per unit	Price
Banners	3	2200	12	$180	$1,188,000
Signs	3	2200	12	$190	$1,254,000
Total					$2,442,000
Outdoor	# of billboards	# of cities	# of months	Price per month	Price
Billboards	2	10	12	$1,416,375	$339,930,000
Total					$339,930,000
Grand Totals					**$706,036,400**

Table 10: Media Flowchart

2011-2012 Media	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Television												
Football												
Hockey												
Late Night Talk												
Cable												
Adult Swim												
Fuel												
ESPN classic												
Magazines												
Cigar Aficionado												
The Economist												
Fortune												
GQ												
Macworld												
Web												
USA Today.com												
Ebay.com												
Trip advisor.com												
Outdoor (Billboards)												
10 4g cities												
In-Store												
Banners												
Window Signs												