

AFFILIATE TRANSACTIONS

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1. GENERAL

1.01 This instruction provides information to be used by Procurement Services Inventory Management, Procurement Services Strategic Sourcing, Procurement Services Materials Distribution Center (MDC) Operations, and Procurement Services Distribution when performing Affiliate Transactions. It describes operational activities for performing transactions between Southwestern Bell Telephone Company and Southwestern Bell Corporation (SBC) or SBC affiliates.

1.02 Whenever this practice is reissued the reason(s) for reissue will be indicated in this paragraph.

1.03 The objective of this instruction is to provide a means to:

- a. Comply with the overall policies of the company;
- b. Provide the service level required by users/clients;

- c. Deploy resources effectively;
- d. Assure SWIMS data base integrity to pass accurate information to downstream systems;
- e. Promote communications among the various organizations involved in the Affiliate transaction process.

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2. DEFINITIONS

- 2.01 Affiliate - Southwestern Bell Corporation (SBC), and all subsidiaries of SBC other than SWBT.
- 2.02 Affiliate Transaction - A transaction which includes assets and/or services being transferred or provided to SWBT from an affiliate or from SWBT to an affiliate.
- 2.03 Nonregulated - Those activities that are not classified as common carrier communications services for purposes of Title II of the Communications Act of 1934, as amended. This includes preemptively deregulated services and excludes those activities classified as incidental.
- 2.04 Non-Stock - Material that is not stocked at the MDC for users/clients. This category of material must be ordered via CAPRI.
- 2.05 Nontariffed - Those activities that are not provided under either state or FCC tariff.
- 2.06 Regulated - All activities that are classified as common carrier communication services for purposes of Title II of the Communications Act of 1934, as amended. This includes state-deregulated basic services where the activities are reflected in interstate tariffed offerings and are detariffed or otherwise subjected to some form of deregulation in one or more states. Activities deregulated in the interstate jurisdiction that are not preemptively deregulated and items that are deregulated in the intrastate jurisdiction but are regulated in the interstate jurisdiction are also to be classified as Regulated. Activities classified as Incidental also receive regulated accounting and cost allocation treatment.
- 2.07 Stock Material - Material that is stocked at the MDC, and is available for ordering by users/clients.
- 2.08 SWIMS - Southwestern Inventory Management System. SWIMS is Procurement's inventory management system. SWIMS maintains inventory records of items stocked at Procurement warehouse

locations and triggers replenishment requisitions as items are shipped to users/clients. SWIMS is composed of a number of applications that provide such functions as forecasting,

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inventory control, purchase processing, distributing, tracking, planning, simulation, and many other functions. An existing interface with CAPRI provides SWIMS the ability to pass purchase recommendations.

2.09 Tariffed - Those activities that are provided pursuant to documents filed with state or federal regulatory authorities. These documents (tariffs) contain terms and conditions under which the activity is provided, describe the activity and provide a method for determining the rates.

3. RESPONSIBILITIES

3.01 Procurement Services Inventory Management (IM) - It is the responsibility of Inventory Management to have stock material available at the MDC to meet user/client On-Job-Dates (OJD).

3.02 Procurement Services MDC Operations - The function of the MDC is to receive, store, inventory, select, and ship material to meet user/client On-Job-Dates.

3.03 Procurement Services Manager-Regulatory Matters - It is the responsibility of the Manager-Regulatory Matters to assure that Procurement Services provides its expertise and services in accordance with Operating Practice 125, Nontariffed Activities and Affiliate Transactions.

3.04 It is essential that the integrity of all data bases be maintained. Employees must maintain the highest legal and ethical standards as set forth in Southwestern Bell Telephone Company's booklet entitled A Code Of Business Conduct. All functions within the Affiliate Transaction process must be performed with care and honesty for the successful management of the business.

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4. REGULATORY REQUIREMENTS

4.01 All Nontariffed transactions between SWBT and outside entities must be treated in accordance with regulatory rulings to ensure that the SWBT regulated business activities are not subsidizing any other business activities.

4.02 State regulatory bodies may request the review of any Affiliate Transactions at any time.

5. AFFILIATE ORDERS PLACED ON THE MDC

5.01 Listed below are the affiliates which SWBT currently has contracts with that can place orders on the MDC for material. These affiliates can and do change with the issuance of new contracts or updates to the old ones.

- a. Southwestern Bell Corporation (SBC).
- b. Asset Management, Inc.
- c. Messaging Services.
- d. SBC International Holding Corp.
- e. Southwestern Bell Yellow Pages.
- f. Technology Resources Inc. (TRI).

5.02 Upon request, Authority Cards are issued to affiliates of SWBT at a charge of \$11.00 per card. Authority Card records are loaded into SWIMS for validation purposes.

5.03 Authority card holders can place routine orders by accessing the Procurement Order Entry System (PROES) and keying in orders for the desired material via telephone. The cost for a routine order includes the cost of the material plus a \$12.25 charge per line item. Placing orders on a routine basis is recommended.

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5.04 Authority card holders can place emergency orders by contacting the MDC Information Center on 214-944-9042. The Information Center enters the order via Custom Order Entry System (COES) and ships the material on an emergency basis. The cost for an emergency order includes the cost of the material, a \$12.25 charge per line item, and a \$250.00 emergency handling charge.

- a. If the affiliate indeed requires an emergency order to be shipped, the MDC Information Center will accept the order and handle it on an emergency basis.
- b. For ALL emergency orders placed, the Manager-MDC Operations

will forward the following information to the Manager Regulatory Matters weekly:

1. Subsidiary name;
2. Name of person placing the order;
3. Telephone number of person placing the order;
4. Description and Product ID (PID) of the material that was ordered.

6. SHIPMENTS FROM THE MDC TO AFFILIATES

6.01 Material will be selected and staged for shipment by truck route as indicated on the Pick Ticket. This material will be palletized separate from other shipments to the TCS/RDP.

- a. If the volume or nature of the material is such that it is apparent that the TCS/RDP cannot deliver it to the affiliate, MDC personnel can direct the material to be shipped to the affiliate by a commercial carrier.

6.02 Material shipped to the affiliates can be shipped to the nearest TCS/RDP to utilize existing transportation routes.

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6.03 If Media is not able to deliver the material to the affiliate, Media must prepare a Bill of Lading and ship the material commercially. If the material is to be shipped commercially, the following information is required to be shown on the Bill Of Lading:

- a. KCO 3999317
- b. Geo Loc AA0000
- c. Function Code F513A
- d. RCC SN2001300

6.04 When it is determined that the material will be shipped commercially, the Transportation Control Center (TCC) will establish the carrier for shipment of material. The TCC contact number is 314-235-4578.

6.05 Manager-Regulatory Matters will bill the affiliates a fixed price per line item shipped which will include transportation costs.

7. CLAIMS

7.01 All affiliate claims will be coordinated by the Manager-Regulatory Matters.

- a. Should the MDC be contacted by an affiliate to file a claim, MDC personnel should refer them to the Manager-Regulatory Matters.

7.02 Affiliates may file claims against the MDC based on certain conditions. Some of these conditions include:

- a. The dollar value of the claim must be greater than \$50.00;
- b. Affiliate ordered right material, MDC shipped wrong Material;
- c. Affiliate ordered right material, MDC shipped wrong revision;

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- d. Affiliate ordered material, MDC shipped more quantity than was ordered (Overage);
- e. Affiliate ordered material, MDC shipped less quantity than what was ordered (Shortage);
- f. Affiliate ordered material, MDC shipped material, but material arrived in a damaged condition (Damage).

7.03 For a claim to be filed by an affiliate, the dollar value of the claim must be greater than \$50.00. The expense to process a claim from beginning through end is \$50.00.

7.04 If the affiliate orders the right material, but the MDC ships the wrong material:

- a. The affiliate must contact Manager-Regulatory Matters. The Manager-Regulatory Matters will determine if a claim should be filed.
- b. If the Manager-Regulatory Matters determines that a claim should be filed, he/she will contact the Manager-MDC Operations. The Manager-MDC Operations will initiate the claims process.
- c. The affiliate will return the material to the MDC Returns dock for full credit.
- d. The affiliate will place a new order for material.

7.05 If the affiliate orders the right material, but the MDC ships the wrong revision:

- a. The affiliate must contact Manager-Regulatory Matters. The Manager-Regulatory Matters will determine if a claim should be filed.
- b. If the Manager-Regulatory Matters determines that a claim

should be filed, he/she will contact the Manager-MDC Operations. The Manager-MDC Operations will initiate the claims process.

- c. The affiliate will return the material to the MDC Returns dock for full credit. Return transportation charges should be billed to the MDC.

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- d. The affiliate will place a new order for material.

7.06 If the affiliate receives more material than what was ordered, (overage), the affiliate must determine whether to keep the overage or request to return it to the MDC.

- a. If the affiliate determines to keep the overage material no action is required. The affiliate will be billed for the overage quantity.
- b. If the affiliate determines not to keep the overage material the affiliate must contact the Manager-Regulatory Matters to negotiate return of the material to the MDC. A claim must be filed and the value of the claim must be greater than \$50.00.

7.07 If the affiliate receives less material than what was ordered, (shortage), the affiliate must contact the Manager-Regulatory Matters. The Manager-Regulatory Matters will contact the Manager-EC Operations for an investigation into the order.

- a. If the MDC shipped an insufficient quantity to the affiliate, the appropriate amount will be re-shipped to the affiliate.
- b. If the insufficient quantity was lost in transit, the affiliate must reorder.
- c. Lost in transit may be due to a transportation carrier fault. If the value is greater than \$50.00 a claim may be filed by the affiliate on the transportation carrier.

7.08 It is possible that material could arrive at an affiliate location damaged and therefore unusable.

- a. If the affiliate determines that the damage is due to the transportation carrier, the affiliate should file a claim on the carrier.
- b. If the affiliate determines that the damage is due to an MDC cause, the affiliate should contact Manager-Regulatory Matters to file a claim on the MDC. Value of the material should be greater than \$50.00.

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8. RETURNS

8.01 Before material can be returned to the MDC, the Manager-Regulatory Matters must contact the appropriate Manager-Inventory Management to determine if the material can be returned.

8.02 Conditions whereby material may be returned to the MDC include:

- a. Affiliate ordered wrong material;
- b. Affiliate ordered right material, MDC shipped right material;

8.03 If the affiliate mistakenly orders the wrong material, they must contact the Manager-Regulatory Matters. The Manager-Regulatory Matters will:

- a. Contact the Manager-Inventory Management to determine if he/she will accept return of the material;
- b. If it is acceptable to return the material to the MDC, the Manager-Regulatory Matters will contact the affiliate and have them return the material to the MDC.
- c. The affiliate will ship the material to the MDC Returns dock for processing into SWIMS.

8.04 If the affiliate orders the right material, and the MDC ships the right material then the material belongs to the affiliate. No action is required.

- a. If for some reason the affiliate wishes to return the material to the MDC, they must follow the steps described in paragraph 8.03.

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APPENDIX 2

RELATED DOCUMENTATION

1. SWIMS Claims Procedures
2. Nontariffed Activities and Affiliate Transactions OP125

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