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Reply to:
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July 10, 2006

T.R.A. DOCKET ROOM

Chairman Sara Kyle
Attn: Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: Joint Filing of AT&T and BellSouth Corporation together with its Certified Tennessee Subsidiaries regarding Change of Control of the Operating Authority of BellSouth Corporation's Tennessee Subsidiaries (TRA Docket No. 06-00093)

Dear Chairman Kyle:

Please find enclosed for filing, 15 copies of the July 7, 2006 Order issued by the Honorable Emmet Sullivan of United States District Court for the District of Columbia and an article from the New York Times by Stephen Labaton entitled "Judge Looks Into Modifying Terms of 2 Phone Mergers," to be filed in the above-referenced docket on behalf of Time Warner Telecom of the MidSouth, LLC.

Both the attached Order and the news article are directly related to the issues before the Tennessee Regulatory Authority ("TRA") in this docket and may be useful resources for the TRA panel reviewing the merger.

Please date stamp one copy for my records. Thank you for your assistance regarding this matter. If you have any questions, or if I may be of further assistance, please do not hesitate to contact me.

Very truly yours,

FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP, PLC

Charles B. Welch, Jr.

CERTIFICATE OF SERVICE

I hereby certify that on July 10, 2006, a copy of the foregoing document was serviced on the following parties of record, via U.S.mail, postage pre-paid:

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The New York Times
nytimes.com

July 8, 2006

Judge Looks Into Modifying Terms of 2 Phone Mergers

By STEPHEN LABATON

WASHINGTON, July 7 — A federal district judge in Washington is considering the imposition of major modifications to the two largest telephone mergers in history: SBC Communication's acquisition of AT&T and Verizon's purchase of MCI.

In a surprising order issued Friday afternoon, Judge Emmet G. Sullivan raised a series of questions about the Bush administration's review of the two deals that he said should be answered by the Justice Department and the phone companies at a hearing next week.

Both deals have already closed, and lawyers said that the judge could not unravel them, although he could try to impose significant conditions or divestitures.

The proceedings will probably shed light on the administration's antitrust enforcement program at a time when officials have put up virtually no roadblocks to deals and imposed few restrictions in other areas of antitrust law.

Still, the proceedings could affect the government's review of BellSouth's proposed acquisition by AT&T, the name the company took after AT&T was swallowed by SBC. The proceedings are also the first significant test of changes in the law that have given federal judges greater authority to scrutinize antitrust settlements.

Federal judges have been examining such settlements since the 1970's, when they were given the authority under the Tunney Act, which was adopted in response to the scandal involving the Nixon administration's decision to settle an antitrust proceeding against ITT.

Ever since a federal appeals court ruled in 1995 that Judge Stanley J. Sporkin of Federal District Court had acted outside of his authority in striking down a proposed antitrust agreement between the government and Microsoft, judges have generally approved settlements with relatively little scrutiny. But in 2004, Congress gave judges greater latitude to consider such deals.

In his order Friday, Judge Sullivan asked the lawyers to address what authority he had to question the settlements. He then raised several questions that suggested he had concerns with the settlements.

"Through the eyes of a layperson, the mergers, in and of themselves, appear to be against public interest given the apparent loss in competition," he wrote. "In layperson's terms, why isn't that the case?"

Another question he posed asked, "What consideration should the court give the arguments of the attorney general of New York, Elliot Spitzer, that the mergers will adversely affect digital subscriber lines (DSL) and the Internet backbone?"

While he could ultimately reject the deals, lawyers involved said they did not expect it would unravel them. At most, they said, a rejection could lead to changes in the settlements and possible divestitures, although the government and phone companies would probably appeal any decision that sought to rewrite the deals substantially.

Challenges to the two telephone deals have been filed by Mr. Spitzer and by organizations representing smaller rivals, some of whom buy the lines of the telephone companies at wholesale rates and then resell them. The companies have asked the court to find that the deals are not in the public interest because the Justice Department failed to force the companies to shed some overlapping assets.

The top lawyer for the companies challenging the settlements has been Gary L. Reback, a California lawyer who was the intellectual and tactical leader in the effort in the 1990's by a group of companies that persuaded the government to prosecute Microsoft for antitrust violations.

In a court brief filed last month, Mr. Reback attacked the phone companies and the Justice Department.

"At issue is judicial review of the successful efforts of the two largest local telephone monopolists, SBC and Verizon, aided and abetted by the current administration of the antitrust division of the Department of Justice, to reconstitute as a nationwide local and long-distance duopoly what was formally the Bell System monopoly," he wrote.

The Bush administration said that it had carefully examined the deals and ordered the appropriate divestitures. It said the judge's authority to review the government's handling of the deals was limited.

"The purpose of a Tunney Act proceeding is for a court to examine the proposed remedy, and determine whether it is in the public interest," the Justice Department said in its brief. "It is not for a court to reinvestigate the underlying merger at the behest of disappointed competitors or put the Department of Justice on trial to justify its prosecutorial decision making."

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA Plaintiff, v. SBC COMMUNICATIONS, INC. and AT&T CORP. Defendants.	Civil Action No. 03-2512 (EGS)
UNITED STATES OF AMERICA Plaintiff, v. VERIZON COMMUNICATIONS, INC. and MCI, INC. Defendants.	Civil Action No. 03-2513 (EGS)

O R D E R

A motions hearing is currently scheduled for July 12, 2006, at 9:00 AM. That hearing shall be organized and conducted in the following manner. The Court hereby

ORDERS that the principal parties to the above-captioned cases, United States, SBC Communications, Inc. ("SBC"), and Verizon Communications, Inc. ("Verizon") shall each have 45 minutes to make their principal arguments as to why the Court

shall approve the government's Proposed Final Judgments ("PFJs"); and it is

FURTHER ORDERED that the *amici curiae*, COMPTEL and ACTel, shall each have 45 minutes to make their principal arguments as to why the PFJs are not in the interest of the public; and it is

FURTHER ORDERED that all of the principal parties and both *amici curiae* shall each have 15 minutes to respond to any arguments presented by any of the parties; and it is

FURTHER ORDERED that the parties are to consider the following questions in preparing for the hearing. However, these questions and areas of inquiry neither reflect the Court's intent to limit the scope of a party's presentation at the hearing nor reflect the Court's intent to limit the scope of the Court's inquiry at the hearing.

(1) What authority, if any, does the Court have to question the scope of the government's Complaints in these two case?

(2) What authority, if any, does the Court have to inquire of the government as to what other alternative remedies it (and the defendants) considered and why those alternatives were rejected in view of the remedies suggested?

(3) What weight should the Court give to the legislative history of the amended Tunney Act, 15 U.S.C. §16, in its determination of what the appropriate standard of review is under the 2004 amended Tunney Act?

(4) The government and the defendants contend that the Court should continue to be deferential to the government in its Tunney Act review. Is that consistent with the legislative history of the amended Tunney Act, which purport to overturn this Circuit's precedents that employed what Congress considered to be too deferential a standard in evaluating consent decrees?

(5) What specific evidence is the government relying on for its assertion that its proposed remedies would replace the competition that would be lost as a result of the two mergers?

(6) Has the government provided the Court with sufficient information for it to make an independent determination as to whether entry of the proposed consent decrees is in the public interest? If not, what other information should the government have provided to the Court?

(7) What weight, if any, should the Court give to the findings of the FCC as related to these two mergers?

(8) Through the eyes of a layperson, the mergers, in and of themselves, appear to be against public interest given the apparent loss in competition. In layperson's terms, why isn't that the case?

(9) Why isn't the government's selected remedy broader in time - i.e. IRUs longer than ten years - and in substance - i.e. focus on the transport as well as the last-mile connections?

(10) What consideration should the Court give the arguments of the Attorney General of New York, Elliot Spitzer, that the mergers will adversely affect digital subscriber lines ("DSL") and the Internet backbone?

(11) What criteria did the government use in determining which buildings should be covered by the PFJs?

IT IS SO ORDERED.

SIGNED: EMMET G. SULLIVAN
UNITED STATES DISTRICT COURT
JULY 7, 2006