UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number 001-8610

AT&T INC.

Incorporated under the laws of the State of Delaware
I.R.S. Employer Identification Number 43-1301883

208 S. Akard St., Dallas, Texas 75202
Telephone Number: (210) 821-4105

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares (Par Value $1.00 Per Share)	T	New York Stock Exchange
Depositary Shares, each representing a 1/1000th interest in a share of 5.000% Perpetual Preferred Stock, Series A	T PRA	New York Stock Exchange
Depositary Shares, each representing a 1/1000th interest in a share of 4.750% Perpetual Preferred Stock, Series C	T PRC	New York Stock Exchange
AT&T Inc. 1.875% Global Notes due December 4, 2020	T 20	New York Stock Exchange
AT&T Inc. 2.650% Global Notes due December 17, 2021	T 21B	New York Stock Exchange
AT&T Inc. 1.450% Global Notes due June 1, 2022	T 22B	New York Stock Exchange
AT&T Inc. 2.500% Global Notes due March 15, 2023	T 23	New York Stock Exchange
AT&T Inc. 2.750% Global Notes due May 19, 2023	T 23C	New York Stock Exchange
AT&T Inc. Floating Rate Global Notes due September 5, 2023	T 23D	New York Stock Exchange
AT&T Inc. 1.050% Global Notes due September 5, 2023	T 23E	New York Stock Exchange
AT&T Inc. 1.300% Global Notes due September 5, 2023	T 23A	New York Stock Exchange
AT&T Inc. 1.950% Global Notes due September 15, 2023	T 23F	New York Stock Exchange
AT&T Inc. 2.400% Global Notes due March 15, 2024	T 24A	New York Stock Exchange
AT&T Inc. 3.500% Global Notes due December 17, 2025	T 25	New York Stock Exchange
AT&T Inc. 0.250% Global Notes due March 4, 2026	T 26E	New York Stock Exchange
AT&T Inc. 1.800% Global Notes due September 5, 2026	T 26D	New York Stock Exchange

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
AT&T Inc. 2.900% Global Notes due December 4, 2026	T 26A	New York Stock Exchange
AT&T Inc. 1.600% Global Notes due May 19, 2028	T 28C	New York Stock Exchange
AT&T Inc. 2.350% Global Notes due September 5, 2029	T 29D	New York Stock Exchange
AT&T Inc. 4.375% Global Notes due September 14, 2029	T 29B	New York Stock Exchange
AT&T Inc. 2.600% Global Notes due December 17, 2029	T 29A	New York Stock Exchange
AT&T Inc. 0.800% Global Notes due March 4, 2030	T 30B	New York Stock Exchange
AT&T Inc. 2.050% Global Notes due May 19, 2032	T 32A	New York Stock Exchange
AT&T Inc. 3.550% Global Notes due December 17, 2032	T 32	New York Stock Exchange
AT&T Inc. 5.200% Global Notes due November 18, 2033	T 33	New York Stock Exchange
AT&T Inc. 3.375% Global Notes due March 15, 2034	T 34	New York Stock Exchange
AT&T Inc. 2.450% Global Notes due March 15, 2035	T 35	New York Stock Exchange
AT&T Inc. 3.150% Global Notes due September 4, 2036	T 36A	New York Stock Exchange

AT&T Inc. 2.600% Global Notes due May 19, 2038	T 38C	New York Stock Exchange
AT&T Inc. 1.800% Global Notes due September 14, 2039	T 39B	New York Stock Exchange
AT&T Inc. 7.000% Global Notes due April 30, 2040	T 40	New York Stock Exchange
AT&T Inc. 4.250% Global Notes due June 1, 2043	T 43	New York Stock Exchange
AT&T Inc. 4.875% Global Notes due June 1, 2044	T 44	New York Stock Exchange
AT&T Inc. 4.000% Global Notes due June 1, 2049	T 49A	New York Stock Exchange
AT&T Inc. 4.250% Global Notes due March 1, 2050	T 50	New York Stock Exchange
AT&T Inc. 3.750% Global Notes due September 1, 2050	T 50A	New York Stock Exchange
AT&T Inc. 5.350% Global Notes due November 1, 2066	TBB	New York Stock Exchange
AT&T Inc. 5.625% Global Notes due August 1, 2067	TBC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See definition of “accelerated filer,” “large accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes ☐ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

At October 31, 2020, there were 7,126 million common shares outstanding.

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

AT&T INC.

CONSOLIDATED STATEMENTS OF INCOME
Dollars in millions except per share amounts
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Operating Revenues				
Service	**$ 37,782**	$ 40,317	**$ 113,716**	$ 122,024
Equipment	**4,558**	4,271	**12,353**	12,348
Total operating revenues	**42,340**	44,588	**126,069**	134,372
Operating Expenses				
Cost of revenues				
Equipment	**4,552**	4,484	**12,622**	13,047
Broadcast, programming and operations	**6,912**	7,066	**19,555**	22,448
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**8,375**	8,604	**24,833**	25,910
Selling, general and administrative	**9,266**	9,584	**27,857**	29,077
Asset impairments and abandonments	**73**	—	**2,515**	—
Depreciation and amortization	**7,030**	6,949	**21,537**	21,256
Total operating expenses	**36,208**	36,687	**108,919**	111,738
Operating Income	**6,132**	7,901	**17,150**	22,634
Other Income (Expense)				
Interest expense	**(1,972)**	(2,083)	**(6,031)**	(6,373)
Equity in net income (loss) of affiliates	**5**	3	**(11)**	36
Other income (expense) — net	**(231)**	(935)	**1,589**	(967)
Total other income (expense)	**(2,198)**	(3,015)	**(4,453)**	(7,304)
Income Before Income Taxes	**3,934**	4,886	**12,697**	15,330
Income tax expense	**766**	937	**3,003**	3,059
Net Income	**3,168**	3,949	**9,694**	12,271
Less: Net Income Attributable to Noncontrolling Interest	**(352)**	(249)	**(987)**	(762)
Net Income Attributable to AT&T	**$ 2,816**	$ 3,700	**$ 8,707**	$ 11,509
Less: Preferred Stock Dividends	**(54)**	–	**(138)**	–
Net Income Attributable to Common Stock	**$ 2,762**	$ 3,700	**$ 8,569**	$ 11,509
Basic Earnings Per Share Attributable to Common Stock	**$ 0.39**	$ 0.50	**$ 1.19**	$ 1.57
Diluted Earnings Per Share Attributable to Common Stock	**$ 0.39**	$ 0.50	**$ 1.19**	$ 1.57
Weighted Average Number of Common Shares Outstanding — Basic (in millions)	**7,147**	7,327	**7,160**	7,321
Weighted Average Number of Common Shares Outstanding — with Dilution (in millions)	**7,173**	7,356	**7,186**	7,350

See Notes to Consolidated Financial Statements.

AT&T INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Dollars in millions

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Net income	**$ 3,168**	$ 3,949	**$ 9,694**	$ 12,271
Other comprehensive income (loss), net of tax:				
Foreign currency:				
Translation adjustment (includes $(2), $(17), $(61) and $(15) attributable to noncontrolling interest), net of taxes of $47, $(69), $(150) and $(21)	**90**	(342)	**(1,459)**	(181)
Securities:				
Net unrealized gains (losses), net of taxes of $1, $7, $28 and $22	**1**	25	**81**	67
Derivative instruments:				
Net unrealized gains (losses), net of taxes of $229, $(168), $(574) and $(299)	**860**	(516)	**(2,166)**	(1,006)
Reclassification adjustment included in net income, net of taxes of $7, $2, $11 and $7	**27**	7	**44**	24
Defined benefit postretirement plans:				
Amortization of net prior service credit included in net income, net of taxes of $(150), $(112), $(451) and $(332)	**(460)**	(343)	**(1,382)**	(1,031)
Other comprehensive income (loss)	**518**	(1,169)	**(4,882)**	(2,127)
Total comprehensive income	**3,686**	2,780	**4,812**	10,144
Less: Total comprehensive income attributable to noncontrolling interest	**(350)**	(232)	**(926)**	(747)
Total Comprehensive Income Attributable to AT&T	**$ 3,336**	$ 2,548	**$ 3,886**	$ 9,397

See Notes to Consolidated Financial Statements.

AT&T INC.

CONSOLIDATED BALANCE SHEETS

Dollars in millions except per share amounts

	September 30, 2020	December 31, 2019
Assets	**(Unaudited)**	
Current Assets		
Cash and cash equivalents	**$ 9,758**	$ 12,130
Accounts receivable — net of related allowances for credit loss of $1,386 and $1,235	**19,379**	22,636
Prepaid expenses	**1,420**	1,631
Other current assets	**19,414**	18,364
Total current assets	**49,971**	54,761
Noncurrent Inventories and Theatrical Film and Television Production Costs	**13,948**	12,434
Property, plant and equipment	**333,797**	333,538
Less: accumulated depreciation and amortization	**(205,075)**	(203,410)
Property, Plant and Equipment — Net	**128,722**	130,128
Goodwill	**143,688**	146,241
Licenses — Net	**98,397**	97,907
Trademarks and Trade Names — Net	**23,575**	23,567
Distribution Networks — Net	**14,249**	15,345
Other Intangible Assets — Net	**17,523**	20,798
Investments in and Advances to Equity Affiliates	**2,325**	3,695
Operating Lease Right-Of-Use Assets	**24,546**	24,039
Other Assets	**21,609**	22,754
Total Assets	**$ 538,553**	$ 551,669
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	**$ 5,898**	$ 11,838
Accounts payable and accrued liabilities	**42,728**	45,956
Advanced billings and customer deposits	**5,862**	6,124
Accrued taxes	**1,336**	1,212
Dividends payable	**3,741**	3,781
Total current liabilities	**59,565**	68,911
Long-Term Debt	**152,980**	151,309
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**60,448**	59,502
Postemployment benefit obligation	**17,928**	18,788
Operating lease liabilities	**22,056**	21,804
Other noncurrent liabilities	**30,520**	29,421
Total deferred credits and other noncurrent liabilities	**130,952**	129,515
Stockholders' Equity		
Preferred stock ($1 par value, 10,000,000 authorized):		
Series A (48,000 issued and outstanding at September 30, 2020 and December 31, 2019)	**—**	—
Series B (20,000 issued and outstanding at September 30, 2020 and 0 issued and outstanding at December 31, 2019)	**—**	—
Series C (70,000 issued and outstanding at September 30, 2020 and 0 issued and outstanding at December 31, 2019)	**—**	—
Common stock ($1 par value, 14,000,000,000 authorized at September 30, 2020 and December 31, 2019: issued 7,620,748,598 at September 30, 2020 and December 31, 2019)	**7,621**	7,621
Additional paid-in capital	**130,139**	126,279
Retained earnings	**55,094**	57,936
Treasury stock (495,703,331 at September 30, 2020 and 366,193,458 at December 31, 2019, at cost)	**(17,950)**	(13,085)
Accumulated other comprehensive income	**649**	5,470
Noncontrolling interest	**19,503**	17,713
Total stockholders' equity	**195,056**	201,934
Total Liabilities and Stockholders' Equity	**$ 538,553**	$ 551,669

See Notes to Consolidated Financial Statements.

AT&T INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in millions

(Unaudited)

	Nine months ended September 30,	
	2020	2019
Operating Activities		
Net income	**$ 9,694**	$ 12,271
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**21,537**	21,256
Amortization of television and film costs	**6,448**	7,059
Undistributed earnings from investments in equity affiliates	**108**	81
Provision for uncollectible accounts	**1,611**	1,855
Deferred income tax expense	**2,248**	1,039
Net (gain) loss on investments, net of impairments	**(689)**	(1,014)
Pension and postretirement benefit expense (credit)	**(2,245)**	(1,297)
Actuarial (gain) loss on pension and postretirement benefits	**63**	4,048
Asset impairments and abandonments	**2,515**	—
Changes in operating assets and liabilities:		
Receivables	**2,321**	2,503
Other current assets, inventories and theatrical film and television production costs	**(7,836)**	(9,337)
Accounts payable and other accrued liabilities	**(4,905)**	(936)
Equipment installment receivables and related sales	**(148)**	848
Deferred customer contract acquisition and fulfillment costs	**453**	(796)
Postretirement claims and contributions	**(409)**	(635)
Other - net	**2,282**	(220)
Total adjustments	**23,354**	24,454
Net Cash Provided by Operating Activities	**33,048**	36,725
Investing Activities		
Capital expenditures, including $(92) and $(160) of interest during construction	**(13,283)**	(15,843)
Acquisitions, net of cash acquired	**(1,215)**	(1,124)
Dispositions	**428**	3,775
(Purchases), sales and settlements of securities and investments, net	**444**	523
Advances to and investments in equity affiliates, net	**(100)**	(333)
Net Cash Used in Investing Activities	**(13,726)**	(13,002)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**(17)**	(22)
Issuance of other short-term borrowings	**9,440**	4,012
Repayment of other short-term borrowings	**(7,710)**	(4,702)
Issuance of long-term debt	**31,987**	15,034
Repayment of long-term debt	**(37,583)**	(24,368)
Payment of vendor financing	**(1,965)**	(2,601)
Issuance of preferred stock	**3,869**	—
Purchase of treasury stock	**(5,483)**	(409)
Issuance of treasury stock	**88**	576
Issuance of preferred interests in subsidiary	**1,979**	1,488
Dividends paid	**(11,215)**	(11,162)
Other - net	**(5,158)**	(187)
Net Cash Used in Financing Activities	**(21,768)**	(22,341)
Net (decrease) increase in cash and cash equivalents and restricted cash	**(2,446)**	1,382
Cash and cash equivalents and restricted cash beginning of year	**12,295**	5,400
Cash and Cash Equivalents and Restricted Cash End of Period	**$ 9,849**	$ 6,782

See Notes to Consolidated Financial Statements.

AT&T INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Dollars and shares in millions except per share amounts
(Unaudited)

	Three months ended				Nine months ended			
	September 30, 2020		September 30, 2019		**September 30, 2020**		September 30, 2019	
	Shares	**Amount**	Shares	Amount	**Shares**	**Amount**	Shares	Amount
Preferred Stock - Series A								
Balance at beginning of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Issuance of stock	**—**	**—**	—	—	**—**	**—**	—	—
Balance at end of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Preferred Stock - Series B								
Balance at beginning of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Issuance of stock	**—**	**—**	—	—	**—**	**—**	—	—
Balance at end of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Preferred Stock - Series C								
Balance at beginning of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Issuance of stock	**—**	**—**	—	—	**—**	**—**	—	—
Balance at end of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Common Stock								
Balance at beginning of period	**7,621**	**$ 7,621**	7,621	$ 7,621	**7,621**	**$ 7,621**	7,621	$ 7,621
Issuance of stock	–	–	–	–	–	–	–	–
Balance at end of period	**7,621**	**$ 7,621**	7,621	$ 7,621	**7,621**	**$ 7,621**	7,621	$ 7,621
Additional Paid-In Capital								
Balance at beginning of period		**$ 130,046**		$ 125,109		**$ 126,279**		$ 125,525
Repurchase and acquisition of common stock		–		–		**67**		–
Issuance of preferred stock		–		–		**3,869**		–
Issuance of treasury stock		**(2)**		(1)		**(56)**		(128)
Share-based payments		**91**		31		**(24)**		(258)
Changes related to acquisition of interests held by noncontrolling owners		**4**		—		**4**		—
Balance at end of period		**$ 130,139**		$ 125,139		**$ 130,139**		$ 125,139
Retained Earnings								
Balance at beginning of period		**$ 56,045**		$ 59,389		**$ 57,936**		$ 58,753
Cumulative effect of accounting change and other adjustments		–		–		**(293)**		316
Adjusted beginning balance		**56,045**		59,389		**57,643**		59,069
Net income attributable to AT&T		**2,816**		3,700		**8,707**		11,509
Preferred stock dividends		**(35)**		–		**(103)**		–
Common stock dividends ($0.52, $0.51, $1.56, and $1.53 per share)		**(3,732)**		(3,742)		**(11,153)**		(11,231)
Balance at end of period		**$ 55,094**		$ 59,347		**$ 55,094**		$ 59,347

See Notes to Consolidated Financial Statements.

AT&T INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY - continued

Dollars and shares in millions except per share amounts

(Unaudited)

	Three months ended				Nine months ended			
	September 30, 2020		September 30, 2019		**September 30, 2020**		September 30, 2019	
	Shares	**Amount**	Shares	Amount	**Shares**	**Amount**	Shares	Amount
Treasury Stock								
Balance at beginning of period	**(495)**	**$ (17,945)**	(316)	$ (11,151)	**(366)**	**$ (13,085)**	(339)	$ (12,059)
Repurchase and acquisition of common stock	**(1)**	**(19)**	(5)	(186)	**(149)**	**(5,600)**	(14)	(466)
Issuance of treasury stock	**—**	**14**	4	142	**19**	**735**	36	1,330
Balance at end of period	**(496)**	**$ (17,950)**	(317)	$ (11,195)	**(496)**	**$ (17,950)**	(317)	$ (11,195)
Accumulated Other Comprehensive Income Attributable to AT&T, net of tax								
Balance at beginning of period		**$ 129**		$ 3,289		**$ 5,470**		$ 4,249
Other comprehensive income attributable to AT&T		**520**		(1,152)		**(4,821)**		(2,112)
Balance at end of period		**$ 649**		$ 2,137		**$ 649**		$ 2,137
Noncontrolling Interest								
Balance at beginning of period		**$ 17,557**		$ 9,824		**$ 17,713**		$ 9,795
Cumulative effect of accounting change and other adjustments		**—**		—		**(7)**		29
Adjusted beginning balance		**17,557**		9,824		**17,706**		9,824
Net income attributable to noncontrolling interest		**352**		249		**987**		762
Issuance and acquisition of noncontrolling owners		**1,978**		1,488		**1,979**		1,498
Distributions		**(382)**		(266)		**(1,108)**		(791)
Translation adjustments attributable to noncontrolling interest, net of taxes		**(2)**		(17)		**(61)**		(15)
Balance at end of period		**$ 19,503**		$ 11,278		**$ 19,503**		$ 11,278
Total Stockholders' Equity at beginning of period		**$ 193,453**		$ 194,081		**$ 201,934**		$ 193,884
Total Stockholders' Equity at end of period		**$ 195,056**		$ 194,327		**$ 195,056**		$ 194,327

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
Dollars in millions except per share amounts

NOTE 1. PREPARATION OF INTERIM FINANCIAL STATEMENTS

Basis of Presentation Throughout this document, AT&T Inc. is referred to as "we," "AT&T" or the "Company." The consolidated financial statements include the accounts of the Company and subsidiaries and affiliates which we control. AT&T is a holding company whose subsidiaries and affiliates operate worldwide in the telecommunications, media and technology industries. You should read this document in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2019. The results for the interim periods are not necessarily indicative of those for the full year. These consolidated financial statements include all adjustments that are necessary to present fairly the results for the presented interim periods, consisting of normal recurring accruals and other items.

All significant intercompany transactions are eliminated in the consolidation process. Investments in subsidiaries and partnerships which we do not control but have significant influence are accounted for under the equity method. Earnings from certain investments accounted for using the equity method are included for periods ended within up to one quarter of our period end. We also record our proportionate share of our equity method investees' other comprehensive income (OCI) items.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions, including potential impacts arising from the COVID-19 pandemic, that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior period amounts have been conformed to the current period's presentation, including the combination of our prior Xandr segment with the WarnerMedia segment.

In the tables throughout this document, percentage increases and decreases that are not considered meaningful are denoted with a dash.

Adopted and Pending Accounting Standards and Other Changes

Credit Losses As of January 1, 2020, we adopted, through modified retrospective application, the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13, as amended), which replaces the incurred loss impairment methodology under prior GAAP with an expected credit loss model. ASU 2016-13 affects trade receivables, loans, contract assets, certain beneficial interests, off-balance-sheet credit exposures not accounted for as insurance and other financial assets that are not subject to fair value through net income, as defined by the standard. Under the expected credit loss model, we are required to consider future economic trends to estimate expected credit losses over the lifetime of the asset. Upon adoption, we recorded a $293 reduction to "Retained earnings," $395 increase to "allowances for doubtful accounts" applicable to our trade and loan receivables, $10 reduction of contract assets, $105 reduction of net deferred income tax liability and $7 reduction of "Noncontrolling interest" as an opening adjustment. Our adoption of ASU 2016-13 did not have a material impact on our financial statements.

Reference Rate Reform In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" (ASU 2020-04), which provides optional expedients, and allows for certain exceptions to existing GAAP, for contract modifications triggered by the expected market transition of certain benchmark interest rates to alternative reference rates. ASU 2020-04 applies to contracts, hedging relationships and other arrangements that reference the London Interbank Offering Rate (LIBOR) or any other rates ending after December 31, 2022. We are evaluating the impact of our adoption of ASU 2020-04, including optional expedients, to our financial statements.

Convertible Instruments In August 2020, the FASB issued ASU No. 2020-06, "Debt—Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" (ASU 2020-06), which eliminated certain separation models regarding cash conversion and beneficial conversion features to simplify reporting for convertible instruments as a single liability or equity, with no separate accounting for embedded conversion features. ASU 2020-06 will be effective for fiscal years beginning after December 31, 2021, under modified retrospective or full retrospective application, subject to early adoption in 2021. We are evaluating the impact of our adoption of ASU 2020-06 on our financial statements.

Intangible Assets In the second quarter, driven by significant and adverse economic and political environments in Latin America, including the impact of the COVID-19 pandemic, we experienced accelerated subscriber losses and revenue decline in the region, as well as closure of our operations in Venezuela. When combining these business trends and higher weighted-average cost of capital resulting from the increase in country-risk premiums in the region, we concluded that it is more likely than not that the fair value of the Vrio reporting unit, estimated using discounted cash flow and market multiple approaches, is less than its carrying amount. We recorded a $2,212 goodwill impairment in the reporting unit in the second quarter, with $105 attributable to noncontrolling interest. The impairment is not deductible for tax purposes and resulted in an increase in our effective tax rate.

During the first quarter of 2020, we reassessed and changed the estimated economic lives of certain trade names in our Latin America business from indefinite to finite-lived and began amortizing them using the straight-line method over their average remaining economic life of 15 years. This change had an insignificant impact on our financial statements.

Also during the first quarter of 2020, in conjunction with the nationwide launch of AT&T TV and our customers' continued shift from linear to streaming video services, we reassessed the estimated economic lives and renewal assumptions for our orbital slot licenses. As a result, we have changed the estimated lives of these licenses from indefinite to finite-lived, effective January 1, 2020, and began amortizing our orbital slot licenses using the sum-of-months-digits method over their average remaining economic life of 15 years. This change in accounting increased amortization expense $373, or $0.04 per diluted share available to common stock during the third quarter and $1,138, or $0.12, per diluted share available to common stock for the first nine months of 2020.

NOTE 2. EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings per share for the three and nine months ended September 30, 2020 and 2019, is shown in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Numerators				
Numerator for basic earnings per share:				
Net Income	**$ 3,168**	$ 3,949	**$ 9,694**	$ 12,271
Less: Net income attributable to noncontrolling interest	**(352)**	(249)	**(987)**	(762)
Net Income attributable to AT&T	**2,816**	3,700	**8,707**	11,509
Less: Preferred stock dividends	**(54)**	–	**(138)**	–
Net income attributable to common stock	**2,762**	3,700	**8,569**	11,509
Dilutive potential common shares:				
Share-based payment	**5**	6	**16**	16
Numerator for diluted earnings per share	**$ 2,767**	$ 3,706	**$ 8,585**	$ 11,525
Denominators (000,000)				
Denominator for basic earnings per share:				
Weighted average number of common shares outstanding	**7,147**	7,327	**7,160**	7,321
Dilutive potential common shares:				
Share-based payment (in shares)	**26**	29	**26**	29
Denominator for diluted earnings per share	**7,173**	7,356	**7,186**	7,350
Basic earnings per share attributable to Common Stock	**$ 0.39**	$ 0.50	**$ 1.19**	$ 1.57
Diluted earnings per share attributable to Common Stock	**$ 0.39**	$ 0.50	**$ 1.19**	$ 1.57

In the first quarter of 2020, we completed an accelerated share repurchase agreement with a third-party financial institution to repurchase AT&T common stock. Under the terms of the agreement, we paid the financial institution $4,000 and received 104.8 million shares.

NOTE 3. OTHER COMPREHENSIVE INCOME

Changes in the balances of each component included in accumulated OCI are presented below. All amounts are net of tax and exclude noncontrolling interest.

	Foreign Currency Translation Adjustment	Net Unrealized Gains (Losses) on Securities	Net Unrealized Gains (Losses) on Derivative Instruments	Defined Benefit Postretirement Plans	Accumulated Other Comprehensive Income
Balance as of December 31, 2019	$ (3,056)	$ 48	$ (37)	$ 8,515	$ 5,470
Other comprehensive income (loss) before reclassifications	(1,398)	81	(2,166)	—	(3,483)
Amounts reclassified from accumulated OCI	_ [1]	_ [1]	44 [2]	(1,382) [3]	(1,338)
Net other comprehensive income (loss)	(1,398)	81	(2,122)	(1,382)	(4,821)
Balance as of September 30, 2020	**$ (4,454)**	**$ 129**	**$ (2,159)**	**$ 7,133**	**$ 649**

	Foreign Currency Translation Adjustment	Net Unrealized Gains (Losses) on Securities	Net Unrealized Gains (Losses) on Derivative Instruments	Defined Benefit Postretirement Plans	Accumulated Other Comprehensive Income
Balance as of December 31, 2018	$ (3,084)	$ (2)	$ 818	$ 6,517	$ 4,249
Other comprehensive income (loss) before reclassifications	(166)	67	(1,006)	_	(1,105)
Amounts reclassified from accumulated OCI	_ [1]	_ [1]	24 [2]	(1,031) [3]	(1,007)
Net other comprehensive income (loss)	(166)	67	(982)	(1,031)	(2,112)
Balance as of September 30, 2019	$ (3,250)	$ 65	$ (164)	$ 5,486	$ 2,137

[1] (Gains) losses are included in "Other income (expense) - net" in the consolidated statements of income.
[2] (Gains) losses are primarily included in "Interest expense" in the consolidated statements of income (see Note 7).
[3] The amortization of prior service credits associated with postretirement benefits are included in "Other income (expense) - net" in the consolidated statements of income (see Note 6).

NOTE 4. SEGMENT INFORMATION

Our segments are strategic business units that offer products and services to different customer segments over various technology platforms and/or in different geographies that are managed accordingly. We analyze our segments based on segment operating contribution, which consists of operating income, excluding acquisition-related costs and other significant items (as discussed below), and equity in net income (loss) of affiliates for investments managed within each segment. We have three reportable segments: (1) Communications, (2) WarnerMedia and (3) Latin America.

We have recast our segment results for all prior periods to include our prior Xandr segment within our WarnerMedia segment.

We also evaluate segment and business unit performance based on EBITDA and/or EBITDA margin, which is defined as operating contribution excluding equity in net income (loss) of affiliates and depreciation and amortization. We believe EBITDA to be a relevant and useful measurement to our investors as it is part of our internal management reporting and planning processes and it is an important metric that management uses to evaluate operating performance. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect available funds for distributions, reinvestment or other discretionary uses. EBITDA margin is EBITDA divided by total revenues.

The ***Communications segment*** provides wireless and wireline telecom, video and broadband services to consumers located in the U.S. and businesses globally. This segment contains the following business units:

- **Mobility** provides nationwide wireless service and equipment.
- **Entertainment Group** provides video, including over-the-top (OTT) services, broadband and voice communications services primarily to residential customers. This segment also records advertising revenue.
- **Business Wireline** provides advanced IP-based services, as well as traditional voice and data services to business customers.

The ***WarnerMedia segment*** develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. Historical financial results from Xandr, previously a separate reportable segment, have been combined with the WarnerMedia segment within Eliminations and other. This segment contains the following:

- **Turner** primarily operates multichannel basic television networks and digital properties. Turner also sells advertising on its networks and digital properties.
- **Home Box Office** consists of premium pay television and OTT and streaming services domestically and premium pay, basic tier television and OTT services internationally, as well as content licensing and home entertainment.
- **Warner Bros.** primarily consists of the production, distribution and licensing of television programming and feature films, the distribution of home entertainment products and the production and distribution of games.
- **Eliminations & Other** includes the Xandr advertising business and Otter Media Holdings operations, and also removes transactions between the Turner, Home Box Office and Warner Bros. business units, including internal sales of content to the HBO Max platform that began in the fourth quarter of 2019 (see Note 5).

The ***Latin America segment*** provides entertainment and wireless services outside of the U.S. This segment contains the following business units:

- **Vrio** provides video services primarily to residential customers using satellite technology in Latin America and the Caribbean.
- **Mexico** provides wireless service and equipment to customers in Mexico.

Corporate and Other reconciles our segment results to consolidated operating income and income before income taxes, and includes:

- *Corporate*, which consists of: (1) businesses no longer integral to our operations or which we no longer actively market, (2) corporate support functions, (3) impacts of corporate-wide decisions for which the individual operating segments are not being evaluated, and (4) the reclassification of the amortization of prior service credits, which we continue to report with segment operating expenses, to consolidated "Other income (expense) – net."
- *Acquisition-related items*, which consists of items associated with the merger and integration of acquired businesses, including amortization of intangible assets
- *Certain significant items*, which includes (1) employee separation charges associated with voluntary and/or strategic offers, (2) losses resulting from abandonment of network assets and impairments, and (3) other items for which the segments are not being evaluated.
- *Eliminations and consolidations*, which (1) removes transactions involving dealings between our segments, including channel distribution between WarnerMedia and Communications, and (2) includes adjustments for our reporting of the advertising business.

"Interest expense" and "Other income (expense) – net," are managed only on a total company basis and are, accordingly, reflected only in consolidated results.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

For the three months ended September 30, 2020

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	**$ 17,894**	**$ 10,182**	**$ 7,712**	**$ 2,021**	**$ 5,691**	**$ —**	**$ 5,691**
Entertainment Group	**10,053**	**7,997**	**2,056**	**1,277**	**779**	**—**	**779**
Business Wireline	**6,340**	**3,833**	**2,507**	**1,329**	**1,178**	**—**	**1,178**
Total Communications	**34,287**	**22,012**	**12,275**	**4,627**	**7,648**	**—**	**7,648**
WarnerMedia							
Turner	**3,176**	**2,088**	**1,088**	**69**	**1,019**	**(6)**	**1,013**
Home Box Office	**1,781**	**1,694**	**87**	**27**	**60**	**—**	**60**
Warner Bros.	**2,411**	**1,973**	**438**	**43**	**395**	**(23)**	**372**
Eliminations and other	**146**	**(171)**	**317**	**32**	**285**	**40**	**325**
Total WarnerMedia	**7,514**	**5,584**	**1,930**	**171**	**1,759**	**11**	**1,770**
Latin America							
Vrio	**753**	**675**	**78**	**126**	**(48)**	**14**	**(34)**
Mexico	**643**	**662**	**(19)**	**124**	**(143)**	**—**	**(143)**
Total Latin America	**1,396**	**1,337**	**59**	**250**	**(191)**	**14**	**(177)**
Segment Total	**43,197**	**28,933**	**14,264**	**5,048**	**9,216**	**$ 25**	**$ 9,241**
Corporate and Other							
Corporate	**431**	**1,012**	**(581)**	**61**	**(642)**		
Acquisition-related items	**—**	**38**	**(38)**	**1,921**	**(1,959)**		
Certain significant items	**—**	**113**	**(113)**	**—**	**(113)**		
Eliminations and consolidations	**(1,288)**	**(918)**	**(370)**	**—**	**(370)**		
AT&T Inc.	**$ 42,340**	**$ 29,178**	**$ 13,162**	**$ 7,030**	**$ 6,132**		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

For the three months ended September 30, 2019

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	$ 17,701	$ 9,948	$ 7,753	$ 2,011	$ 5,742	$ —	$ 5,742
Entertainment Group	11,197	8,797	2,400	1,316	1,084	—	1,084
Business Wireline	6,503	4,022	2,481	1,271	1,210	—	1,210
Total Communications	35,401	22,767	12,634	4,598	8,036	—	8,036
WarnerMedia							
Turner	3,007	1,460	1,547	68	1,479	10	1,489
Home Box Office	1,819	1,072	747	33	714	10	724
Warner Bros.	3,333	2,706	627	39	588	(25)	563
Eliminations and other	191	91	100	25	75	20	95
Total WarnerMedia	8,350	5,329	3,021	165	2,856	15	2,871
Latin America							
Vrio	1,013	851	162	162	—	13	13
Mexico	717	774	(57)	122	(179)	—	(179)
Total Latin America	1,730	1,625	105	284	(179)	13	(166)
Segment Total	45,481	29,721	15,760	5,047	10,713	$ 28	$ 10,741
Corporate and Other							
Corporate	407	703	(296)	131	(427)		
Acquisition-related items	—	190	(190)	1,771	(1,961)		
Certain significant items	—	39	(39)	—	(39)		
Eliminations and consolidations	(1,300)	(915)	(385)	—	(385)		
AT&T Inc.	$ 44,588	$ 29,738	$ 14,850	$ 6,949	$ 7,901		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

For the nine months ended September 30, 2020

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	$ **52,445**	$ **29,083**	$ **23,362**	$ **6,078**	$ **17,284**	$ **—**	$ **17,284**
Entertainment Group	**30,637**	**23,618**	**7,019**	**3,875**	**3,144**	**—**	**3,144**
Business Wireline	**19,046**	**11,563**	**7,483**	**3,948**	**3,535**	**—**	**3,535**
Total Communications	**102,128**	**64,264**	**37,864**	**13,901**	**23,963**	**—**	**23,963**
WarnerMedia							
Turner	**9,326**	**5,145**	**4,181**	**207**	**3,974**	**—**	**3,974**
Home Box Office	**4,905**	**4,236**	**669**	**73**	**596**	**15**	**611**
Warner Bros.	**8,907**	**7,506**	**1,401**	**124**	**1,277**	**(50)**	**1,227**
Eliminations and other	**(962)**	**(882)**	**(80)**	**97**	**(177)**	**65**	**(112)**
Total WarnerMedia	**22,176**	**16,005**	**6,171**	**501**	**5,670**	**30**	**5,700**
Latin America							
Vrio	**2,392**	**2,119**	**273**	**400**	**(127)**	**26**	**(101)**
Mexico	**1,826**	**1,914**	**(88)**	**373**	**(461)**	**—**	**(461)**
Total Latin America	**4,218**	**4,033**	**185**	**773**	**(588)**	**26**	**(562)**
Segment Total	**128,522**	**84,302**	**44,220**	**15,175**	**29,045**	$ **56**	$ **29,101**
Corporate and Other							
Corporate	**1,256**	**2,819**	**(1,563)**	**241**	**(1,804)**		
Acquisition-related items	**—**	**431**	**(431)**	**6,122**	**(6,553)**		
Certain significant items	**—**	**2,539**	**(2,539)**	**—**	**(2,539)**		
Eliminations and consolidations	**(3,709)**	**(2,709)**	**(1,000)**	**(1)**	**(999)**		
AT&T Inc.	$ **126,069**	$ **87,382**	$ **38,687**	$ **21,537**	$ **17,150**		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

For the nine months ended September 30, 2019

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	$ 52,356	$ 29,511	$ 22,845	$ 6,027	$ 16,818	$ —	$ 16,818
Entertainment Group	33,893	25,839	8,054	3,978	4,076	—	4,076
Business Wireline	19,588	12,029	7,559	3,735	3,824	—	3,824
Total Communications	105,837	67,379	38,458	13,740	24,718	—	24,718
WarnerMedia							
Turner	9,860	5,813	4,047	167	3,880	46	3,926
Home Box Office	5,045	3,124	1,921	67	1,854	40	1,894
Warner Bros.	10,240	8,543	1,697	122	1,575	(19)	1,556
Eliminations and other	845	438	407	69	338	70	408
Total WarnerMedia	25,990	17,918	8,072	425	7,647	137	7,784
Latin America							
Vrio	3,112	2,598	514	496	18	25	43
Mexico	2,093	2,312	(219)	372	(591)	—	(591)
Total Latin America	5,205	4,910	295	868	(573)	25	(548)
Segment Total	137,032	90,207	46,825	15,033	31,792	$ 162	$ 31,954
Corporate and Other							
Corporate	1,290	2,129	(839)	505	(1,344)		
Acquisition-related items	(72)	579	(651)	5,719	(6,370)		
Certain significant items	—	381	(381)	—	(381)		
Eliminations and consolidations	(3,878)	(2,814)	(1,064)	(1)	(1,063)		
AT&T Inc.	$ 134,372	$ 90,482	$ 43,890	$ 21,256	$ 22,634		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

The following table is a reconciliation of Segment Contributions to "Income Before Income Taxes" reported on our consolidated statements of income:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Communications	**$ 7,648**	$ 8,036	**$ 23,963**	$ 24,718
WarnerMedia	**1,770**	2,871	**5,700**	7,784
Latin America	**(177)**	(166)	**(562)**	(548)
Segment Contribution	**9,241**	10,741	**29,101**	31,954
Reconciling Items:				
Corporate and Other	**(642)**	(427)	**(1,804)**	(1,344)
Merger and integration items	**(38)**	(190)	**(431)**	(651)
Amortization of intangibles acquired	**(1,921)**	(1,771)	**(6,122)**	(5,719)
Asset impairments and abandonments	**(73)**	—	**(2,515)**	—
Gain on spectrum transaction[1]	**—**	—	**900**	—
Employee separation costs and benefit-related losses	**(40)**	(39)	**(924)**	(381)
Segment equity in net income of affiliates	**(25)**	(28)	**(56)**	(162)
Eliminations and consolidations	**(370)**	(385)	**(999)**	(1,063)
AT&T Operating Income	**6,132**	7,901	**17,150**	22,634
Interest Expense	**1,972**	2,083	**6,031**	6,373
Equity in net income (loss) of affiliates	**5**	3	**(11)**	36
Other income (expense) - net	**(231)**	(935)	**1,589**	(967)
Income Before Income Taxes	**$ 3,934**	$ 4,886	**$ 12,697**	$ 15,330

[1] Included as a reduction of "Selling, general and administrative expenses" in the consolidated statement of income.

The following table presents intersegment revenues by segment:

Intersegment Reconciliation

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Intersegment Revenues				
Communications	**$ 3**	$ 2	**$ 7**	$ 10
WarnerMedia	**812**	819	**2,402**	2,538
Latin America	**—**	—	**—**	—
Total Intersegment Revenues	**815**	821	**2,409**	2,548
Consolidations	**473**	479	**1,300**	1,330
Eliminations and consolidations	**$ 1,288**	$ 1,300	**$ 3,709**	$ 3,878

NOTE 5. REVENUE RECOGNITION

Revenue Categories
The following tables set forth reported revenue by category and by business unit. Intercompany transactions between segments and the dual reporting of certain advertising revenues are included in "Eliminations and consolidations." Intercompany transactions between Turner, Home Box Office and Warner Bros., including internal sales of HBO Max that began in the fourth quarter of 2019, are included in "Eliminations and other."

For the three months ended September 30, 2020

	Service Revenues								
	Wireless	Advanced Data	Legacy Voice & Data	Subscription	Content	Advertising	Other	Equipment	Total
Communications									
Mobility	**$ 13,811**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 72**	**$ —**	**$ 4,011**	**$ 17,894**
Entertainment Group	**—**	**2,128**	**538**	**6,556**	**—**	**408**	**373**	**50**	**10,053**
Business Wireline	**—**	**3,348**	**2,031**	**—**	**—**	**—**	**780**	**181**	**6,340**
WarnerMedia									
Turner	**—**	**—**	**—**	**1,840**	**175**	**1,077**	**84**	**—**	**3,176**
Home Box Office	**—**	**—**	**—**	**1,624**	**150**	**—**	**7**	**—**	**1,781**
Warner Bros.	**—**	**—**	**—**	**11**	**2,293**	**1**	**106**	**—**	**2,411**
Eliminations and other[1]	**—**	**—**	**—**	**87**	**(488)**	**529**	**18**	**—**	**146**
Latin America									
Vrio	**—**	**—**	**—**	**753**	**—**	**—**	**—**	**—**	**753**
Mexico	**385**	**—**	**—**	**—**	**—**	**—**	**—**	**258**	**643**
Corporate and Other	**169**	**14**	**138**	**—**	**—**	**—**	**52**	**58**	**431**
Eliminations and consolidations[2]	**—**	**—**	**—**	**(790)**	**—**	**(408)**	**(90)**	**—**	**(1,288)**
Total Operating Revenues	**$ 14,365**	**$ 5,490**	**$ 2,707**	**$ 10,081**	**$ 2,130**	**$ 1,679**	**$ 1,330**	**$ 4,558**	**$ 42,340**

[1] "Eliminations and other" of $488 include Warner Bros. content sales of approximately $200 with HBO Max, $180 with HBO linear and $100 with Turner.

[2] "Eliminations and consolidations" of $790 include approximately $370 and $250 of Turner and HBO linear channel distribution arrangements with the Entertainment Group, respectively, and $120 of HBO Max customer subscriptions at Mobility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

For the three months ended September 30, 2019

	Service Revenues								
	Wireless	Advanced Data	Legacy Voice & Data	Subscription	Content	Advertising	Other	Equipment	Total
Communications									
Mobility	$ 13,856	$ —	$ —	$ —	$ —	$ 74	$ —	$ 3,771	$ 17,701
Entertainment Group	—	2,117	628	7,512	—	421	517	2	11,197
Business Wireline	—	3,269	2,252	—	—	—	783	199	6,503
WarnerMedia									
Turner	—	—	—	1,927	89	913	78	—	3,007
Home Box Office	—	—	—	1,533	284	—	2	—	1,819
Warner Bros.	—	—	—	23	3,129	13	168	—	3,333
Eliminations and other[1]	—	—	—	57	(387)	523	(2)	—	191
Latin America									
Vrio	—	—	—	1,013	—	—	—	—	1,013
Mexico	455	—	—	—	—	—	—	262	717
Corporate and Other	124	13	6	—	—	—	227	37	407
Eliminations and consolidations[2]	—	—	—	(798)	—	(421)	(81)	—	(1,300)
Total Operating Revenues	$ 14,435	$ 5,399	$ 2,886	$ 11,267	$ 3,115	$ 1,523	$ 1,692	$ 4,271	$ 44,588

[1] "Eliminations and other" of $387 include Warner Bros. content sales of approximately $110 with HBO linear and $170 with Turner.

[2] "Eliminations and consolidations" of $798 include approximately $430 and $330 of Turner and HBO linear channel distribution arrangements with the Entertainment Group, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

For the nine months ended September 30, 2020

	Service Revenues								
	Wireless	Advanced Data	Legacy Voice & Data	Subscription	Content	Advertising	Other	Equipment	Total
Communications									
Mobility	**$ 41,314**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 206**	**$ —**	**$ 10,925**	**$ 52,445**
Entertainment Group	**—**	**6,329**	**1,679**	**20,220**	**—**	**1,115**	**1,189**	**105**	**30,637**
Business Wireline	**—**	**9,943**	**6,227**	**—**	**—**	**—**	**2,315**	**561**	**19,046**
WarnerMedia									
Turner	**—**	**—**	**—**	**5,693**	**595**	**2,830**	**208**	**—**	**9,326**
Home Box Office	**—**	**—**	**—**	**4,403**	**488**	**—**	**14**	**—**	**4,905**
Warner Bros.	**—**	**—**	**—**	**37**	**8,532**	**4**	**334**	**—**	**8,907**
Eliminations and other[1]	**—**	**—**	**—**	**221**	**(2,650)**	**1,416**	**51**	**—**	**(962)**
Latin America									
Vrio	**—**	**—**	**—**	**2,392**	**—**	**—**	**—**	**—**	**2,392**
Mexico	**1,197**	**—**	**—**	**—**	**—**	**—**	**—**	**629**	**1,826**
Corporate and Other	**464**	**38**	**424**	**—**	**—**	**—**	**197**	**133**	**1,256**
Eliminations and consolidations[2]	**—**	**—**	**—**	**(2,349)**	**—**	**(1,115)**	**(245)**	**—**	**(3,709)**
Total Operating Revenues	**$ 42,975**	**$ 16,310**	**$ 8,330**	**$ 30,617**	**$ 6,965**	**$ 4,456**	**$ 4,063**	**$ 12,353**	**$ 126,069**

[1] "Eliminations and other" of $2,650 include Warner Bros. contents sales of approximately $1,850 with HBO Max, $510 with HBO linear and $220 with Turner.

[2] "Eliminations and consolidations" of $2,349 include approximately $1,170 and $880 of Turner and HBO linear channel distribution arrangements with the Entertainment Group, respectively, and $150 of HBO Max customer subscriptions at Mobility.

For the nine months ended September 30, 2019

	Service Revenues								
	Wireless	Advanced Data	Legacy Voice & Data	Subscription	Content	Advertising	Other	Equipment	Total
Communications									
Mobility	$ 41,171	$ —	$ —	$ —	$ —	$ 212	$ —	$ 10,973	$ 52,356
Entertainment Group	—	6,296	1,969	22,872	—	1,170	1,580	6	33,893
Business Wireline	—	9,649	6,973	—	—	—	2,430	536	19,588
WarnerMedia									
Turner	—	—	—	5,835	335	3,440	250	—	9,860
Home Box Office	—	—	—	4,383	655	—	7	—	5,045
Warner Bros.	—	—	—	67	9,636	33	504	—	10,240
Eliminations and other[1]	—	—	—	160	(776)	1,451	10	—	845
Latin America									
Vrio	—	—	—	3,112	—	—	—	—	3,112
Mexico	1,376	—	—	—	—	—	—	717	2,093
Corporate and Other	437	40	20	—	—	—	605	116	1,218
Eliminations and consolidations[2]	—	—	—	(2,475)	—	(1,170)	(233)	—	(3,878)
Total Operating Revenues	$ 42,984	$ 15,985	$ 8,962	$ 33,954	$ 9,850	$ 5,136	$ 5,153	$ 12,348	$ 134,372

[1] "Eliminations and other" of $776 included Warner Bros. content sales of approximately $310 with HBO linear and $290 with Turner.

[2] "Eliminations and consolidations" of $2,475 include approximately $1,340 and $1,000 of Turner and HBO linear channel distribution arrangements with the Entertainment Group, respectively.

Deferred Customer Contract Acquisition and Fulfillment Costs
Costs to acquire and fulfill customer contracts, including commissions on service activations, for our wireless, business wireline and video entertainment services, are deferred and amortized over the contract period or expected customer relationship life, which typically ranges from three years to five years. For contracts with an estimated amortization period of less than one year, we expense incremental costs immediately.

The following table presents the deferred customer contract acquisition and fulfillment costs included on our consolidated balance sheets:

Consolidated Balance Sheets		**September 30, 2020**		December 31, 2019
Deferred Acquisition Costs				
Other current assets	**$**	**2,831**	$	2,462
Other Assets		**3,114**		2,991
Total deferred customer contract acquisition costs	**$**	**5,945**	$	5,453
Deferred Fulfillment Costs				
Other current assets	**$**	**4,234**	$	4,519
Other Assets		**5,781**		6,439
Total deferred customer contract fulfillment costs	**$**	**10,015**	$	10,958

The following table presents deferred customer contract acquisition and fulfillment cost amortization included in "Other cost of revenue" for the nine months ended:

Consolidated Statements of Income		**September 30, 2020**		September 30, 2019
Deferred acquisition cost amortization	**$**	**1,969**	$	1,565
Deferred fulfillment cost amortization		**3,888**		3,656

Contract Assets and Liabilities
A contract asset is recorded when revenue is recognized in advance of our right to bill and receive consideration. The contract asset will decrease as services are provided and billed. For example, when installment sales include promotional discounts (e.g., "buy one get one free") the difference between revenue recognized and consideration received is recorded as a contract asset to be amortized over the contract term.

When consideration is received in advance of the delivery of goods or services, a contract liability is recorded for deferred revenue. Reductions in the contract liability will be recorded as we satisfy the performance obligations.

The following table presents contract assets and liabilities on our consolidated balance sheets:

Consolidated Balance Sheets		**September 30, 2020**		December 31, 2019
Contract asset	**$**	**2,817**	$	2,472
Contract liability		**6,617**		6,999

Our beginning of period contract liability recorded as customer contract revenue during 2020 was $5,340.

Our consolidated balance sheets at September 30, 2020 and December 31, 2019 included $1,729 and $1,611, respectively, for the current portion of our contract asset in "Other current assets" and $5,762 and $5,939, respectively, for the current portion of our contract liability in "Advanced billings and customer deposits."

Remaining Performance Obligations
Remaining performance obligations represent services we are required to provide to customers under bundled or discounted arrangements, which are satisfied as services are provided over the contract term. In determining the transaction price allocated, we do not include non-recurring charges and estimates for usage, nor do we consider arrangements with an original expected duration of less than one year, which are primarily prepaid wireless, video and residential internet agreements.

Remaining performance obligations associated with business contracts reflect recurring charges billed, adjusted to reflect estimates for sales incentives and revenue adjustments. Performance obligations associated with wireless contracts are estimated using a portfolio approach in which we review all relevant promotional activities, calculating the remaining performance obligation using the average service component for the portfolio and the average device price. As of September 30, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was $39,385, of which we expect to recognize approximately 74% by the end of 2021, with the balance recognized thereafter.

NOTE 6. PENSION AND POSTRETIREMENT BENEFITS

Many of our employees are covered by one of our noncontributory pension plans. We also provide certain medical, dental, life insurance and death benefits to certain retired employees under various plans and accrue actuarially determined postretirement benefit costs. Our objective in funding these plans, in combination with the standards of the Employee Retirement Income Security Act of 1974, as amended (ERISA), is to accumulate assets sufficient to provide benefits described in the plans to employees upon their retirement. We do not have significant funding requirements in 2020.

We recognize actuarial gains and losses on pension and postretirement plan assets in our consolidated results as a component of "Other income (expense) – net" at our annual measurement date of December 31, unless earlier remeasurements are required.

The following table details pension and postretirement benefit costs included in the accompanying consolidated statements of income. The service cost component of net periodic pension cost (benefit) is recorded in operating expenses in the consolidated statements of income while the remaining components are recorded in "Other income (expense) – net."

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Pension cost:				
Service cost - benefits earned during the period	**$ 257**	$ 260	**$ 772**	$ 743
Interest cost on projected benefit obligation	**421**	463	**1,265**	1,520
Expected return on assets	**(888)**	(905)	**(2,667)**	(2,636)
Amortization of prior service credit	**(28)**	(28)	**(85)**	(85)
Actuarial (gain) loss	**–**	1,888	**–**	4,019
Net pension (credit) cost	**$ (238)**	$ 1,678	**$ (715)**	$ 3,561
Postretirement cost:				
Service cost – benefits earned during the period	**$ 14**	$ 19	**$ 40**	$ 55
Interest cost on accumulated postretirement benefit obligation	**104**	185	**312**	557
Expected return on assets	**(44)**	(57)	**(133)**	(169)
Amortization of prior service credit	**(583)**	(425)	**(1,747)**	(1,277)
Net postretirement (credit) cost	**$ (509)**	$ (278)	**$ (1,528)**	$ (834)
Combined net pension and postretirement (credit) cost	**$ (747)**	$ 1,400	**$ (2,243)**	$ 2,727

We also provide senior- and middle-management employees with nonqualified, unfunded supplemental retirement and savings plans. Net supplemental pension benefits costs not included in the table above were $19 and $24 in the third quarter and $57 and $74 for the first nine months of 2020 and 2019, respectively. During the third quarter of 2020, we recorded an actuarial loss of $63.

NOTE 7. FAIR VALUE MEASUREMENTS AND DISCLOSURE

The Fair Value Measurement and Disclosure framework in ASC 820, "Fair Value Measurement," provides a three-tiered fair value hierarchy based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 includes fair values estimated using significant unobservable inputs.

The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Our valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable value or reflective of future fair values. We believe our valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used since December 31, 2019.

Long-Term Debt and Other Financial Instruments
The carrying amounts and estimated fair values of our long-term debt, including current maturities, and other financial instruments, are summarized as follows:

	September 30, 2020		December 31, 2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Notes and debentures[1]	**$ 155,218**	**$ 181,872**	$ 161,109	$ 182,124
Commercial paper	**1,754**	**1,754**	—	—
Bank borrowings	—	—	4	4
Investment securities[2]	**3,669**	**3,669**	3,723	3,723

[1] Includes credit agreement borrowings.

[2] Excludes investments accounted for under the equity method.

The carrying amount of debt with an original maturity of less than one year approximates fair value. The fair value measurements used for notes and debentures are considered Level 2 and are determined using various methods, including quoted prices for identical or similar securities in both active and inactive markets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

Following is the fair value leveling for investment securities that are measured at fair value and derivatives as of September 30, 2020 and December 31, 2019. Derivatives designated as hedging instruments are reflected as "Other assets," "Other noncurrent liabilities," "Other current assets" and "Accounts payable and accrued liabilities" on our consolidated balance sheets.

	September 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity Securities				
Domestic equities	**$ 893**	**$ —**	**$ —**	**$ 893**
International equities	**148**	**—**	**—**	**148**
Fixed income equities	**233**	**—**	**—**	**233**
Available-for-Sale Debt Securities	**—**	**1,524**	**—**	**1,524**
Asset Derivatives				
Cross-currency swaps	**—**	**322**	**—**	**322**
Foreign exchange contracts	**—**	**16**	**—**	**16**
Liability Derivatives				
Cross-currency swaps	**—**	**(4,244)**	**—**	**(4,244)**
Foreign exchange contracts	**—**	**(6)**	**—**	**(6)**

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Equity Securities				
Domestic equities	$ 844	$ —	$ —	$ 844
International equities	183	—	—	183
Fixed income equities	229	—	—	229
Available-for-Sale Debt Securities	—	1,444	—	1,444
Asset Derivatives				
Interest rate swaps	—	2	—	2
Cross-currency swaps	—	172	—	172
Interest rate locks	—	11	—	11
Foreign exchange contracts	—	89	—	89
Liability Derivatives				
Cross-currency swaps	—	(3,187)	—	(3,187)
Interest rate locks	—	(95)	—	(95)

Investment Securities
Our investment securities include both equity and debt securities that are measured at fair value, as well as equity securities without readily determinable fair values. A substantial portion of the fair values of our investment securities is estimated based on quoted market prices. Investments in equity securities not traded on a national securities exchange are valued at cost, less any impairment, and adjusted for changes resulting from observable, orderly transactions for identical or similar securities. Investments in debt securities not traded on a national securities exchange are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

The components comprising total gains and losses in the period on equity securities are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Total gains (losses) recognized on equity securities	**$ 64**	$ 21	**$ 22**	$ 231
Gains (Losses) recognized on equity securities sold	**—**	74	**(24)**	101
Unrealized gains (losses) recognized on equity securities held at end of period	**$ 64**	$ (53)	**$ 46**	$ 130

At September 30, 2020, available-for-sale debt securities totaling $1,524 have maturities as follows - less than one year: $62; one to three years: $155; three to five years: $163; five or more years: $1,144.

Our cash equivalents (money market securities), short-term investments (certificate and time deposits) and nonrefundable customer deposits are recorded at amortized cost, and the respective carrying amounts approximate fair values. Short-term investments and nonrefundable customer deposits are recorded in “Other current assets” and our investment securities are recorded in “Other Assets” on the consolidated balance sheets.

Derivative Financial Instruments
We enter into derivative transactions to manage certain market risks, primarily interest rate risk and foreign currency exchange risk. This includes the use of interest rate swaps, interest rate locks, foreign exchange forward contracts and combined interest rate foreign exchange contracts (cross-currency swaps). We do not use derivatives for trading or speculative purposes. We record derivatives on our consolidated balance sheets at fair value that is derived from observable market data, including yield curves and foreign exchange rates (all of our derivatives are Level 2). Cash flows associated with derivative instruments are presented in the same category on the consolidated statements of cash flows as the item being hedged.

Fair Value Hedging Periodically, we enter into and designate fixed-to-floating interest rate swaps as fair value hedges. The purpose of these swaps is to manage interest rate risk by managing our mix of fixed-rate and floating-rate debt. These swaps involve the receipt of fixed-rate amounts for floating interest rate payments over the life of the swaps without exchange of the underlying principal amount.

We also designate some of our foreign exchange contracts as fair value hedges. The purpose of these contracts is to hedge currency risk associated with foreign-currency-denominated operating assets and liabilities.

Unrealized and realized gains or losses from fair value hedges impact the same category on the consolidated statements of income as the item being hedged. Unrealized gains on derivatives designated as fair value hedges are recorded at fair market value as assets, and unrealized losses are recorded at fair market value as liabilities. Changes in the fair value of derivative instruments designated as fair value hedges are offset against the change in fair value of the hedged assets or liabilities through earnings. In the nine months ended September 30, 2020 and 2019, no ineffectiveness was measured on fair value hedges.

Cash Flow Hedging We designate our cross-currency swaps as cash flow hedges. We have entered into multiple cross-currency swaps to hedge our exposure to variability in expected future cash flows that are attributable to foreign currency risk generated from our foreign-denominated debt. These agreements include initial and final exchanges of principal from fixed foreign currency denominated amounts to fixed U.S. dollar denominated amounts, to be exchanged at a specified rate that is usually determined by the market spot rate upon issuance. They also include an interest rate swap of a fixed or floating foreign currency-denominated interest rate to a fixed U.S. dollar denominated interest rate.

We also designate some of our foreign exchange contracts as cash flow hedges. The purpose of these contracts is to hedge certain forecasted film production costs and film tax incentives denominated in foreign currencies.

Unrealized gains on derivatives designated as cash flow hedges are recorded at fair value as assets, and unrealized losses are recorded at fair value as liabilities. For derivative instruments designated as cash flow hedges, changes in fair value are reported as a component of accumulated OCI and are reclassified into the consolidated statements of income in the same period the hedged transaction affects earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

Periodically, we enter into and designate interest rate locks to partially hedge the risk of changes in interest payments attributable to increases in the benchmark interest rate during the period leading up to the probable issuance of fixed-rate debt. We designate our interest rate locks as cash flow hedges. Gains and losses when we settle our interest rate locks are amortized into income over the life of the related debt. Over the next 12 months, we expect to reclassify $95 from accumulated OCI to "Interest expense" due to the amortization of net losses on historical interest rate locks.

We settled all interest rate locks in May 2020 in conjunction with the issuance of fixed rate debt obligations that the interest rate locks were hedging and paid $731 that was largely offset by the return of collateral at the time of settlement. Cash flows from the interest rate lock settlements and return of collateral were reported as Financing Activities in our Statement of Cash Flows, consistent with our accounting policy for these instruments.

Net Investment Hedging We have designated €1,450 million aggregate principal amount of debt as a hedge of the variability of some of the Euro-denominated net investments of our subsidiaries. The gain or loss on the debt that is designated as, and is effective as, an economic hedge of the net investment in a foreign operation is recorded as a currency translation adjustment within accumulated OCI, net on the consolidated balance sheet. Net losses on net investment hedges recognized in accumulated OCI in the third quarter were $70 and for the first nine months of 2020 were $75.

Collateral and Credit-Risk Contingency We have entered into agreements with our derivative counterparties establishing collateral thresholds based on respective credit ratings and netting agreements. At September 30, 2020, we had posted collateral of $485 (a deposit asset) and held collateral of $4 (a receipt liability). Under the agreements, if AT&T's credit rating had been downgraded one rating level by Fitch Ratings, before the final collateral exchange in September, we would have been required to post additional collateral of $25. If AT&T's credit rating had been downgraded four ratings levels by Fitch Ratings, two levels by S&P, and two levels by Moody's, we would have been required to post additional collateral of $3,237. If DIRECTV Holdings LLC's credit rating had been downgraded below BBB- by S&P, we would have been required to post additional collateral of $241. At December 31, 2019, we had posted collateral of $204 (a deposit asset) and held collateral of $44 (a receipt liability). We do not offset the fair value of collateral, whether the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) exists, against the fair value of the derivative instruments.

Following are the notional amounts of our outstanding derivative positions:

	September 30, 2020	December 31, 2019
Interest rate swaps	**$ —**	$ 853
Cross-currency swaps	**42,969**	42,325
Interest rate locks	**—**	3,500
Foreign exchange contracts	**204**	269
Total	**$ 43,173**	$ 46,947

Following are the related hedged items affecting our financial position and performance:

Effect of Derivatives on the Consolidated Statements of Income

	Three months ended September 30,		Nine months ended September 30,	
Fair Value Hedging Relationships	**2020**	2019	**2020**	2019
Interest rate swaps (Interest expense):				
Gain (Loss) on interest rate swaps	**$ (1)**	$ —	**$ (5)**	$ 59
Gain (Loss) on long-term debt	**1**	—	**5**	(59)

In addition, the net swap settlements that accrued and settled in the quarters ended September 30, 2020 and 2019 were offset against interest expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Dollars in millions except per share amounts

The following table presents information for our cash flow hedging relationships:

	Three months ended September 30,		Nine months ended September 30,	
Cash Flow Hedging Relationships	**2020**	2019	**2020**	2019
Cross-currency swaps:				
Gain (Loss) recognized in accumulated OCI	**$ 1,079**	$ (487)	**$ (2,091)**	$ (1,082)
Foreign exchange contracts:				
Gain (Loss) recognized in accumulated OCI	**10**	5	**(1)**	2
Other income (expense) - net reclassified from accumulated OCI into income	**(9)**	6	**4**	16
Interest rate locks:				
Gain (Loss) recognized in accumulated OCI	**—**	(202)	**(648)**	(225)
Interest income (expense) reclassified from accumulated OCI into income	**(25)**	(15)	**(59)**	(47)

NOTE 8. ACQUISITIONS, DISPOSITIONS AND OTHER ADJUSTMENTS

Acquisitions

HBO Latin America Group (HBO LAG) In May 2020, we acquired the remaining interest in HBO LAG for $141, net of cash acquired. At acquisition, we remeasured the fair value of the total business, which exceeded the carrying amount of our equity method investment and resulted in a pre-tax gain of $68. We consolidated that business upon close and recorded those assets at fair value, including $640 of trade names, $271 of distribution networks and $343 of goodwill that is reported in the WarnerMedia segment. These estimates are preliminary in nature and subject to adjustments, which will be finalized within one year from the date of acquisition.

Spectrum Auctions In June 2020, we completed the acquisition of $2,379 of 37/39 GHz spectrum in a Federal Communications Commission (FCC) auction. Prior to the auction, we exchanged the 39 GHz licenses with a book value of approximately $300 that were previously acquired through FiberTower Corporation for vouchers to be applied against the winning bids and recorded a $900 gain in the first quarter of 2020. These vouchers yielded a value of approximately $1,200, which was applied toward our gross bids. In the second quarter of 2020, we made the final cash payment of $949, bringing the total cash payment to $1,186.

Dispositions Subsequent to the Third Quarter

Central European Media Enterprises Ltd. (CME) On October 13, 2020, we completed the sale of our 65.3% interest in CME, a European broadcasting company, and received $1,100. Upon close, we received relief from a debt guarantee originally covering approximately $1,100 that was reduced to $600 by September 30, 2020.

Operations in Puerto Rico On October 31, 2020, we completed the sale of wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands for approximately $1,950. These operations were classified as held-for-sale, and, accordingly, we included the assets in “Other current assets,” and the related liabilities in “Accounts payable and accrued liabilities,” on our consolidated balance sheet at September 30, 2020.

The proceeds will be used to redeem $1,950 of cumulative preferred interests in a subsidiary that held notes secured by the proceeds of this sale.

NOTE 9. SALES OF RECEIVABLES

We have agreements with various third-party financial institutions pertaining to the sales of certain types of our accounts receivable. The most significant of these programs are discussed in detail below and generally consist of (1) receivables arising from equipment installment plans, which are sold for cash and a deferred purchase price, and (2) revolving service and trade receivables. Under these programs, we transfer receivables to purchasers in exchange for cash and additional consideration upon settlement of the receivables, where applicable. Under the terms of our agreements for these programs, we continue to bill and collect the payments from our customers on behalf of the financial institutions.

The sales of receivables did not have a material impact on our consolidated statements of income or to "Total Assets" reported on our consolidated balance sheets. We reflect cash receipts on sold receivables as cash flows from operations in our consolidated statements of cash flows. Cash receipts on the deferred purchase price are classified as cash flows from investing activities.

Our equipment installment and revolving receivable programs are discussed in detail below. The following table sets forth a summary of the receivables and accounts being serviced:

	September 30, 2020		December 31, 2019	
	Equipment Installment	**Revolving**	Equipment Installment	Revolving
Gross receivables:	**$ 4,241**	**$ 3,516**	$ 4,576	$ 3,324
Balance sheet classification				
Accounts receivable				
Notes receivable	**2,190**	**–**	2,467	–
Trade receivables	**481**	**3,329**	477	2,809
Other Assets				
Noncurrent notes and trade receivables	**1,570**	**187**	1,632	515
Outstanding portfolio of receivables derecognized from our consolidated balance sheets	**8,238**	**5,100**	9,713	4,300
Cash proceeds received, net of remittances[1]	**5,944**	**5,100**	7,211	4,300

[1] Represents amounts to which financial institutions remain entitled, excluding the deferred purchase price.

Equipment Installment Receivables Program
We offer our customers the option to purchase certain wireless devices in installments over a specified period of time and, in many cases, once certain conditions are met, they may be eligible to trade in the original equipment for a new device and have the remaining unpaid balance paid or settled.

We maintain a program under which we transfer a portion of these receivables through our bankruptcy-remote subsidiary in exchange for cash and additional consideration upon settlement of the receivables, referred to as the deferred purchase price. In the event a customer trades in a device prior to the end of the installment contract period, we agree to make a payment to the financial institutions equal to any outstanding remaining installment receivable balance. Accordingly, we record a guarantee obligation for this estimated amount at the time the receivables are transferred.

The following table sets forth a summary of equipment installment receivables sold under this program during the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Gross receivables sold	**$ 1,624**	$ 2,098	**$ 5,497**	$ 7,043
Net receivables sold[1]	**1,578**	2,014	**5,300**	6,693
Cash proceeds received	**1,387**	1,700	**4,562**	5,895
Deferred purchase price recorded	**226**	352	**811**	922
Guarantee obligation recorded	**55**	67	**126**	261

[1] Receivables net of allowance, imputed interest and equipment trade-in right guarantees.

The deferred purchase price and guarantee obligation are initially recorded at estimated fair value and subsequently adjusted for changes in present value of expected cash flows. The estimation of their fair values is based on remaining installment payments expected to be collected and the expected timing and value of device trade-ins. The estimated value of the device trade-ins considers prices offered to us by independent third parties that contemplate changes in value after the launch of a device model. The fair value measurements used for the deferred purchase price and the guarantee obligation are considered Level 3 under the Fair Value Measurement and Disclosure framework (see Note 7).

The following table presents the previously transferred equipment installment receivables, which we repurchased in exchange for the associated deferred purchase price during the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Fair value of repurchased receivables	**$ 373**	$ 268	**$ 946**	$ 926
Carrying value of deferred purchase price	**373**	259	**931**	891
Gain on repurchases[1]	**$ —**	$ 9	**$ 15**	$ 35

[1] These gains are included in "Selling, general and administrative" in the consolidated statements of income.

At September 30, 2020 and December 31, 2019, our deferred purchase price receivable was $2,163 and $2,336, respectively, of which $1,538 and $1,569 are included in “Other current assets” on our consolidated balance sheets, with the remainder in “Other Assets.” The guarantee obligation at September 30, 2020 and December 31, 2019 was $319 and $384, respectively, of which $234 and $148 are included in “Accounts payable and accrued liabilities” on our consolidated balance sheets, with the remainder in “Other noncurrent liabilities.” Our maximum exposure to loss as a result of selling these equipment installment receivables is limited to the total amount of our deferred purchase price and guarantee obligation.

Revolving Receivables Program
In 2019, we entered into a one-year revolving agreement to transfer up to $4,300 of certain receivables through our bankruptcy-remote subsidiaries to various financial institutions on a recurring basis in exchange for cash equal to the gross receivables transferred. In the first quarter of 2020, we expanded the program limit to $5,300. In the second quarter of 2020, we extended the agreement by one year. As customers pay their balances, we transfer additional receivables into the program, resulting in our gross receivables sold exceeding net cash flow impacts (e.g., collect and reinvest). The transferred receivables are fully guaranteed by our bankruptcy-remote subsidiaries, which hold additional receivables in the amount of $3,516 that are pledged as collateral under this agreement. The transfers are recorded at fair value of the proceeds received and obligations assumed less derecognized receivables. The obligation is subsequently adjusted for changes in estimated expected credit losses and interest rates. Our maximum exposure to loss related to these receivables transferred is limited to the amount outstanding.

The fair value measurement used for the obligation is considered Level 3 under the Fair Value Measurement and Disclosure framework (see Note 7).

The following table sets forth a summary of receivables sold:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Gross receivables sold/cash proceeds received[1]	**$ 3,563**	$ 2,873	**$ 11,590**	$ 8,725
Collections reinvested under revolving agreement	**3,563**	2,873	**10,590**	5,000
Collections not reinvested	**200**	269	**200**	269
Net cash proceeds received (remitted)	**$ (200)**	$ (269)	**$ 800**	$ 3,456
Net receivables sold[2]	**$ 3,553**	$ 2,864	**$ 11,510**	$ 8,361
Obligations recorded (reversed)	**58**	39	**172**	475

[1] There were no initial sales of receivables in either of the three-month periods and $1,000 and $3,725 for the nine months ended September 30, 2020 and 2019, respectively.

[2] Receivables net of allowance, return and incentive reserves and imputed interest.

NOTE 10. LEASES

We have operating and finance leases for certain facilities and equipment used in operations. Our leases generally have remaining lease terms of up to 15 years. Some of our real estate operating leases contain renewal options that may be exercised, and some of our leases include options to terminate the leases within one year.

We have recognized a right-of-use asset for both operating and finance leases, and an operating lease liability that represents the present value of our obligation to make payments over the lease term. The present value of the lease payments is calculated using the incremental borrowing rate for operating and finance leases, which was determined using a portfolio approach based on the rate of interest that we would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. We use the unsecured borrowing rate and risk-adjust that rate to approximate a collateralized rate in the currency of the lease, which will be updated on a quarterly basis for measurement of new lease liabilities.

The components of lease expense were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Operating lease cost	**$ 1,546**	$ 1,481	**$ 4,372**	$ 4,333
Finance lease cost:				
Amortization of right-of-use assets	**$ 76**	$ 67	**$ 216**	$ 203
Interest on lease obligation	**39**	42	**116**	126
Total finance lease cost	**$ 115**	$ 109	**$ 332**	$ 329

Supplemental cash flow information related to leases is as follows:

	Nine months ended September 30,	
	2020	2019
Cash Flows from Operating Activities		
Cash paid for amounts included in lease obligations		
Operating cash flows from operating leases	**$ 3,651**	$ 3,338
Supplemental Lease Cash Flow Disclosures		
Operating lease right-of-use assets obtained in exchange for new operating lease obligations	**3,908**	7,068

Supplemental balance sheet information related to leases is as follows:

	September 30, 2020	December 31, 2019
Operating Leases		
Operating lease right-of-use assets	**$ 24,546**	$ 24,039
Accounts payable and accrued liabilities	**$ 3,483**	$ 3,451
Operating lease obligation	**22,056**	21,804
Total operating lease obligation	**$ 25,539**	$ 25,255
Finance Leases		
Property, plant and equipment, at cost	**$ 3,485**	$ 3,534
Accumulated depreciation and amortization	**(1,363)**	(1,296)
Property, plant and equipment, net	**$ 2,122**	$ 2,238
Current portion of long-term debt	**$ 174**	$ 162
Long-term debt	**1,732**	1,872
Total finance lease obligation	**$ 1,906**	$ 2,034

	September 30,	
	2020	2019
Weighted-Average Remaining Lease Term (years)		
Operating leases	**8.5**	8.7
Finance leases	**10.1**	10.4
Weighted-Average Discount Rate		
Operating leases	**4.1 %**	4.3 %
Finance leases	**8.1 %**	8.4 %

Future minimum maturities of lease obligations are as follows:

At September 30, 2020	Operating Leases	Finance Leases
Remainder of 2020	$ 1,226	$ 99
2021	4,679	316
2022	4,372	298
2023	3,981	278
2024	3,449	258
Thereafter	13,543	1,720
Total lease payments	31,250	2,969
Less imputed interest	(5,711)	(1,063)
Total	$ 25,539	$ 1,906

NOTE 11. STOCKHOLDERS' EQUITY

We have authorized 10 million preferred shares of AT&T stock, each with a par value of $1.00 per share. Cumulative perpetual preferred shares consist of the following:

- Series A: 48 thousand shares outstanding at September 30, 2020 and December 31, 2019, with a $25,000 per share liquidation preference and a dividend rate of 5.00%.
- Series B: 20 thousand shares outstanding at September 30, 2020 and zero issued and outstanding at December 31, 2019, with a €100,000 per share liquidation preference, and an initial dividend rate of 2.875%, subject to reset beginning on May 1, 2025.
- Series C: 70 thousand shares outstanding at September 30, 2020 and zero issued and outstanding at December 31, 2019, with a $25,000 per share liquidation preference and a dividend rate of 4.75%.

So long as the preferred dividends are declared and paid on a timely basis on each series of preferred shares, there are no limitations on our ability to declare a dividend on or repurchase AT&T common shares. The preferred shares are optionally redeemable by AT&T at the liquidation price generally on or after five years from the issuance date, or upon certain other contingent events.

Telco LLC
In September 2020, we issued $2,000 nonconvertible cumulative preferred interests out of a newly created limited liability company (Telco LLC) that was formed to hold telecommunication-related assets. The preferred interests are entitled to cash distributions, subject to declaration and are included in “Noncontrolling interest” on the consolidated balance sheets.

Members’ equity in Telco LLC consist of (1) member’s interests, which are held by a consolidated subsidiary of AT&T, and (2) preferred interests (Telco preferred interests), which pay an initial preferred distribution of 4.25% annually, subject to declaration, and subject to reset every seven years. Failure to pay distributions on the Telco preferred interests would not limit cash movements between affiliates, or our ability to declare a dividend on or repurchase AT&T shares. We can call the Telco preferred interests at the issue price beginning seven years from the issuance date.

The Telco preferred interests holders have the option to require redemption upon the occurrence of certain contingent events, such as the failure of Telco LLC to pay the preferred distribution for two or more periods or to meet certain other requirements, including a minimum credit rating. If notice is given, all other holders of equal or more subordinate classes of members equity are entitled to receive the same form of consideration payable to the holders of the preferred interests, resulting in a deemed liquidation for accounting purposes.

NOTE 12. ADDITIONAL FINANCIAL INFORMATION

Cash and Cash Flows
We typically maintain our restricted cash balances for purchases and sales of certain investment securities and funding of certain deferred compensation benefit payments:

	September 30,		December 31,	
	2020	2019	2019	2018
Cash and cash equivalents	**$ 9,758**	$ 6,588	$ 12,130	$ 5,204
Restricted cash in Other current assets	**2**	15	69	61
Restricted cash in Other Assets	**89**	179	96	135
Cash and Cash Equivalents and Restricted Cash	**$ 9,849**	$ 6,782	$ 12,295	$ 5,400

Consolidated Statements of Cash Flows	Nine months ended September 30,	
Cash paid (received) during the period for:	**2020**	2019
Interest	**$ 6,661**	$ 6,938
Income taxes, net of refunds	**306**	420
Spectrum acquisitions	**1,062**	1,022

Other Noncash Investing and Financing Activities In connection with capital improvements and the acquisition of other productive assets, we negotiate favorable payment terms (referred to as vendor financing), which are reported as financing activities when paid. For the first nine months, we recorded vendor financing commitments related to capital investments of approximately $3,148 in 2020 and $1,917 in 2019.

Total vendor financing payables included in our September 30, 2020 consolidated balance sheet were approximately $3,252, with $1,474 due within one year (in "Accounts payable and accrued liabilities") and the remainder predominantly due within two to three years (in "Other noncurrent liabilities").

Financing Activities
Debt Transactions At September 30, 2020, our total long-term debt obligations totaled $158,878. Our debt activity during the nine months ended September 30, 2020 primarily consisted of the following:

- Net borrowings of approximately $1,710 of debt under our commercial paper program during the first nine months.
- Entry into and draw on a $5,500 Term Loan Credit Agreement, with certain commercial banks and Bank of America, N.A., as lead agent, in April 2020, which was redeemed in May 2020 (originally due on December 31, 2020).
- Issuance of $16,545 of AT&T global notes due 2027 to 2060 in the second quarter.
- Issuance of €3,000 million global notes ($3,281 at issuance) due 2028 to 2038 in the second quarter.
- Issuance of $11,000 of global notes due 2028 to 2061 in the third quarter.
- Redemption of $12,689 of AT&T global notes due 2020 to 2047 in the second quarter.
- Redemption of $1,800 under term loan credit agreements with certain banks in the second quarter.
- Redemption of $1,000 annual put reset securities issued by BellSouth in the second quarter.
- Redemption of $4,264 of AT&T, WarnerMedia and DIRECTV notes due 2022 in the third quarter.
- Redemption of $1,158 of AT&T and WarnerMedia global notes due 2022 to 2023 in the third quarter.
- Redemption of €2,250 of AT&T floating-rate notes due 2020 (approximately $2,637 at maturity) in the third quarter.
- Redemption of R$3,381 of Sky Serviços de Banda Larga Ltda. floating-rate private loan due 2021 (approximately $1,000 when issued in April 2018 and $638 at redemption due to strengthening of the U.S. dollar against Brazilian real) in the third quarter.
- Repurchases of $11,384 of AT&T global notes and subsidiary notes due 2021 to 2025 tendered for cash in the third quarter.
- Exchange of $17,677 of AT&T and subsidiary notes, due 2031 to 2058, for $1,459 of cash and $21,500 of three new series of AT&T global notes due 2053 to 2059 in the third quarter.

Our long-term debt issuances carried a weighted average interest rate of 3.2%, and our long-term debt redemptions had a weighted average interest rate of 3.2%.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Dollars in millions except per share amounts

OVERVIEW

AT&T Inc. is referred to as "we," "AT&T" or the "Company" throughout this document, and the names of the particular subsidiaries and affiliates providing the services generally have been omitted. AT&T is a holding company whose subsidiaries and affiliates operate worldwide in the telecommunications, media and technology industries. You should read this discussion in conjunction with the consolidated financial statements and accompanying notes (Notes).

We have three reportable segments: (1) Communications, (2) WarnerMedia and (3) Latin America. Our segment results presented in Note 4 and discussed below follow our internal management reporting. We analyze our segments based on segment operating contribution, which consists of operating income, excluding acquisition-related costs and other significant items and equity in net income (loss) of affiliates for investments managed within each segment. Percentage increases and decreases that are not considered meaningful are denoted with a dash.

We have recast our segment results for all prior periods to include our prior Xandr segment within our WarnerMedia segment.

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating Revenues						
Communications	**$ 34,287**	$ 35,401	(3.1)%	**$ 102,128**	$ 105,837	(3.5)%
WarnerMedia	**7,514**	8,350	(10.0)	**22,176**	25,990	(14.7)
Latin America	**1,396**	1,730	(19.3)	**4,218**	5,205	(19.0)
Corporate and other	**431**	407	5.9	**1,256**	1,218	3.1
Eliminations and consolidation	**(1,288)**	(1,300)	0.9	**(3,709)**	(3,878)	4.4
AT&T Operating Revenues	**42,340**	44,588	(5.0)	**126,069**	134,372	(6.2)
Operating Contribution						
Communications	**7,648**	8,036	(4.8)	**23,963**	24,718	(3.1)
WarnerMedia	**1,770**	2,871	(38.3)	**5,700**	7,784	(26.8)
Latin America	**(177)**	(166)	(6.6)	**(562)**	(548)	(2.6)
Segment Operating Contribution	**$ 9,241**	$ 10,741	(14.0)%	**$ 29,101**	$ 31,954	(8.9)%

The ***Communications segment*** provides services to businesses and consumers located in the U.S. and businesses globally. Our business strategies reflect bundled product offerings that cut across product lines and utilize shared assets. This segment contains the following business units:

- **Mobility** provides nationwide wireless service and equipment.
- **Entertainment Group** provides video, including over-the-top (OTT) services, broadband and voice communications services primarily to residential customers. This segment also records advertising revenues.
- **Business Wireline** provides advanced IP-based services, as well as traditional voice and data services to business customers.

The ***WarnerMedia segment*** develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. Historical financial results from Xandr, previously a separate reportable segment, have been combined with the WarnerMedia segment within Eliminations and other. This segment contains the following:

- **Turner** primarily operates multichannel basic television networks and digital properties. Turner also sells advertising on its networks and digital properties.
- **Home Box Office** consists of premium pay television and OTT and streaming services domestically and premium pay, basic tier television and OTT services internationally, as well as content licensing and home entertainment.
- **Warner Bros**. primarily consists of the production, distribution and licensing of television programming and feature films, the distribution of home entertainment products and the production and distribution of games.
- **Eliminations & Other** includes the Xandr advertising business and Otter Media Holdings operations, and also removes transactions between the Turner, Home Box Office and Warner Bros. business units, including internal sales of content to the HBO Max platform that began in the fourth quarter of 2019 (see Note 5).

The ***Latin America segment*** provides entertainment and wireless services outside of the U.S. This segment contains the following business units:
- **Vrio** provides video services primarily to residential customers using satellite technology in Latin America and the Caribbean.
- **Mexico** provides wireless service and equipment to customers in Mexico.

COVID-19 Update
Disruptions caused by the coronavirus (COVID-19) and measures taken to prevent its spread or mitigate its effects both domestically and internationally have impacted our results of operations. We recorded approximately $190, or $0.02 per diluted share, in the third quarter and $940, or $0.10 per diluted share, for the first nine months of 2020, of incremental costs associated with voluntary corporate actions taken to protect and compensate front-line employees and contractors or additional WarnerMedia production disruption.

In addition to these incremental costs, we estimate that our operations and comparability were impacted by approximately $1,715, or $0.19 per diluted share, in the third quarter and $2,185, or $0.24 per diluted share, for the first nine months of 2020, for: (1) the resumption of the NBA season, resulting in the shift to third quarter of sports costs historically incurred during the second quarter, and associated advertising revenues, (2) lower television licensing and production revenues due to production hiatus, (3) the partial closure of movie theaters and postponement of theatrical releases, leading to lower content revenues and associated expenses, and (4) the reluctance of consumers to travel at previous levels, driving significantly lower international wireless roaming services that do not have a directly correlated expense reduction.

Subscriber counts at September 30, 2020, exclude customers who we have agreed not to terminate service under the Federal Communications Commission (FCC) "Keep Americans Connected Pledge" or state mandates. For reporting purposes, we excluded 121,000 postpaid (97,000 phone), 13,000 broadband (4,000 fiber) and 7,000 premium TV nonpaying customers even though they are still receiving service.

Third-quarter 2020 subscriber net adds include 233,000 postpaid (151,000 phone), 104,000 broadband (28,000 fiber) and 116,000 premium TV "Keep Americans Connected Pledge" paying accounts.

With partial reopening of the economy and improved collections experience, the economic effects of the pandemic and resulting societal changes remain unpredictable. There are a number of uncertainties that could impact our future results of operations, including the effectiveness of COVID-19 mitigation measures; the duration of the pandemic; global economic conditions; changes to our operations; changes in consumer confidence, behaviors and spending; work from home trends; and the sustainability of supply chains. We expect operating results and cash flows to continue to be adversely impacted by COVID-19 for the duration of the pandemic. We expect our fourth-quarter results to be impacted by the following:
- Lower revenues from the partial closure of movie theaters and postponement of theatrical releases, partially offset by lower production and other programming expenses;
- The decline in revenues from international roaming wireless services due to reduced travel; and
- Higher expenses to protect front-line employees, contractors and customers.

RESULTS OF OPERATIONS

Consolidated Results Our financial results are summarized in the discussions that follow. Additional analysis is discussed in our "Segment Results" section. Certain prior period amounts have been reclassified to conform to the current period's presentation.

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating Revenues						
Service	**$ 37,782**	$ 40,317	(6.3)%	**$ 113,716**	$ 122,024	(6.8)%
Equipment	**4,558**	4,271	6.7	**12,353**	12,348	—
Total Operating Revenues	**42,340**	44,588	(5.0)	**126,069**	134,372	(6.2)
Operating expenses						
Operations and support	**29,178**	29,738	(1.9)	**87,382**	90,482	(3.4)
Depreciation and amortization	**7,030**	6,949	1.2	**21,537**	21,256	1.3
Total Operating Expenses	**36,208**	36,687	(1.3)	**108,919**	111,738	(2.5)
Operating Income	**6,132**	7,901	(22.4)	**17,150**	22,634	(24.2)
Interest expense	**1,972**	2,083	(5.3)	**6,031**	6,373	(5.4)
Equity in net income (loss) of affiliates	**5**	3	66.7	**(11)**	36	—
Other income (expense) - net	**(231)**	(935)	(75.3)	**1,589**	(967)	—
Income Before Income Taxes	**3,934**	4,886	(19.5)	**12,697**	15,330	(17.2)
Net Income	**3,168**	3,949	(19.8)	**9,694**	12,271	(21.0)
Net Income Attributable to AT&T	**2,816**	3,700	(23.9)	**8,707**	11,509	(24.3)
Net Income Attributable to Common Stock	**$ 2,762**	$ 3,700	(25.4)%	**$ 8,569**	$ 11,509	(25.5)%

Operating revenues decreased in the third quarter and in the first nine months of 2020. Communications segment revenue declines were driven by continued declines in video and legacy services, partially offset by increases in strategic and managed business service and third-quarter growth in wireless equipment revenues. Lower WarnerMedia segment revenues reflect limited and postponed theatrical releases and home entertainment releases as well as lower television licensing and productions revenues, partially offset by increased sports-related advertising revenue in the third quarter that shifted from the second quarter. Latin America segment revenue declines were primarily due to foreign exchange rates.

Operations and support expenses decreased in the third quarter and in the first nine months of 2020. The decreases were driven by lower broadcast and programming costs in our Communications segment and, for the first nine months, our WarnerMedia segment. Expense declines in the third quarter were partially offset by increased sports-related programming costs that shifted from the second quarter and increased HBO Max investments in the WarnerMedia segment. Expense declines for the first nine months were also driven by a noncash gain of $900 on a spectrum transaction in the first quarter and our continued focus on cost management, partially offset by charges for a goodwill impairment at our Vrio business unit in the second quarter, employee separation charges and incremental costs related to COVID-19. As part of our cost and efficiency initiatives, we expect operations and support expense improvements to continue as we size our operations to reflect the current economic activity level.

Depreciation and amortization expense increased in the third quarter and for the first nine months of 2020.
Amortization expense increased $87, or 4.6% in the third quarter and $222, or 3.6% for the first nine months of 2020 due to the amortization of orbital slot licenses, which began in the first quarter of 2020 (see Note 1).

Depreciation expense decreased $6, or 0.1% in the third quarter and increased $59, or 0.4% for the first nine months of 2020. The increase for the nine months period was primarily due to ongoing capital spend for network upgrades and expansion partially offset by fully depreciated assets in our Communications segment.

Operating income decreased in the third quarter and for the first nine months of 2020. Our operating income margin for the third quarter decreased from 17.7% in 2019 to 14.5% in 2020 and for the first nine months decreased from 16.8% in 2019 to 13.6% in 2020.

Interest expense decreased in the third quarter and first nine months of 2020, primarily due to lower interest rates and debt balances.

Equity in net income of affiliates increased in the third quarter and decreased for the first nine months of 2020, reflecting changes in our investment portfolio, including our second-quarter 2020 acquisition of the remaining interest in HBO Latin America Group (HBO LAG).

Other income (expense) – net increased in the third quarter and for the first nine months of 2020. The increases were primarily due to the recognition of an actuarial loss of $63 in the third quarter and for the first nine months of 2020, compared to actuarial losses totaling $1,917 and $4,048 in the third quarter and for the first nine months of 2019, respectively, and higher prior service credit amortization in 2020 (see Note 6). Partially offsetting the increases were $1,224 of debt redemption costs in the third quarter, the write-off of certain investments in 2020 and the second-quarter 2019 gain on sale of our interest in Hulu.

Income taxes decreased in the third quarter and for the first nine months of 2020. The decrease in income tax expense in the third quarter was primarily attributable to lower income before tax. The decrease in income tax expense for the first nine months of 2020 was primarily attributable to lower income before income tax offset by the second quarter Vrio goodwill impairment, which is not deductible for tax purposes.

Our effective tax rate was 19.5% for the third quarter and 23.7% for the first nine months of 2020, versus 19.2% and 20.0% for the comparable year-prior periods, respectively. The increase in our effective tax rate for the first nine months was primarily due to the second quarter Vrio goodwill impairment, which is not deductible for tax purposes.

COMMUNICATIONS SEGMENT	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Segment Operating Revenues						
Mobility	**$ 17,894**	$ 17,701	1.1 %	**$ 52,445**	$ 52,356	0.2 %
Entertainment Group	**10,053**	11,197	(10.2)	**30,637**	33,893	(9.6)
Business Wireline	**6,340**	6,503	(2.5)	**19,046**	19,588	(2.8)
Total Segment Operating Revenues	**34,287**	35,401	(3.1)	**102,128**	105,837	(3.5)
Segment Operating Contribution						
Mobility	**5,691**	5,742	(0.9)	**17,284**	16,818	2.8
Entertainment Group	**779**	1,084	(28.1)	**3,144**	4,076	(22.9)
Business Wireline	**1,178**	1,210	(2.6)	**3,535**	3,824	(7.6)
Total Segment Operating Contribution	**$ 7,648**	$ 8,036	(4.8)%	**$ 23,963**	$ 24,718	(3.1)%

Selected Subscribers and Connections

(000s)	September 30, **2020**	2019
Mobility Subscribers[1]	**176,744**	162,300
Total domestic broadband connections[1]	**15,375**	15,575
Network access lines in service	**7,562**	8,831
U-verse VoIP connections	**3,942**	4,539

[1] Excludes 121 wireless and 13 broadband customers who we have agreed not to terminate service under the "Keep Americans Connected Pledge," which was implemented March 13, 2020, or state mandates.

Operating revenues decreased in the third quarter and for the first nine months of 2020, driven by declines in our Entertainment Group and Business Wireline business units, partially offset by increases in our Mobility business unit. The decreases reflect the continued shift away from linear video and legacy services and lower wireless service revenues from a decline in international travel. Equipment sales increased in the third quarter but were down for the first nine months due to lower equipment sales in the first quarter of 2020 resulting from pandemic-related store closures. Partially offsetting these declines was growth in our prepaid subscriber base.

Operating contribution decreased in the third quarter and for the first nine months of 2020. The decline in the third quarter reflects lower contribution from all business units. Lower contribution for the first nine months was due to declines in our Business Wireline and Entertainment Group business units, largely offset by improvement in our Mobility business unit. Our Communications segment operating income margin in the third quarter decreased from 22.7% in 2019 to 22.3% in 2020 and for the first nine months increased from 23.4% in 2019 to 23.5% in 2020.

Communications Business Unit Discussion

Mobility Results

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating revenues						
Service	**$ 13,883**	$ 13,930	(0.3)%	**$ 41,520**	$ 41,383	0.3 %
Equipment	**4,011**	3,771	6.4	**10,925**	10,973	(0.4)
Total Operating Revenues	**17,894**	17,701	1.1	**52,445**	52,356	0.2
Operating expenses						
Operations and support	**10,182**	9,948	2.4	**29,083**	29,511	(1.5)
Depreciation and amortization	**2,021**	2,011	0.5	**6,078**	6,027	0.8
Total Operating Expenses	**12,203**	11,959	2.0	**35,161**	35,538	(1.1)
Operating Income	**5,691**	5,742	(0.9)	**17,284**	16,818	2.8
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—	—
Operating Contribution	**$ 5,691**	$ 5,742	(0.9)%	**$ 17,284**	$ 16,818	2.8 %

The following tables highlight other key measures of performance for Mobility:

Subscribers

(in 000s)	September 30, **2020**	2019	Percent Change
Postpaid[2]	**75,969**	75,152	1.1 %
Prepaid	**18,100**	17,740	2.0
Reseller	**6,708**	7,120	(5.8)
Connected devices[1]	**75,967**	62,288	22.0
Total Mobility Subscribers	**176,744**	162,300	8.9 %

1 Includes data-centric devices such as session-based tablets, monitoring devices and primarily wholesale automobile systems.
2 Excludes 121 customers who we have agreed not to terminate service under the "Keep Americans Connected Pledge" or state mandates.

Net Additions

	Third Quarter			Nine-Month Period		
(in 000s)	**2020**	2019	Percent Change	**2020**	2019	Percent Change
Postpaid Phone Net Additions[5]	**645**	101	— %	**657**	254	— %
Total Phone Net Additions[5]	**776**	255	—	**880**	780	12.8
Postpaid[2, 5, 6]	**1,081**	(217)	—	**954**	(570)	—
Prepaid[6, 7]	**245**	227	7.9	**365**	669	(45.4)
Reseller[6]	**(4)**	(231)	98.3	**(252)**	(677)	62.8
Connected devices[3]	**4,203**	3,900	7.8	**9,976**	10,947	(8.9)
Mobility Net Subscriber Additions[1]	**5,525**	3,679	50.2 %	**11,043**	10,369	6.5 %
Postpaid Churn[4, 5]	**0.85 %**	1.19 %	(34)BP	**0.99 %**	1.14 %	(15)BP
Postpaid Phone-Only Churn[4, 5]	**0.69 %**	0.95 %	(26)BP	**0.80 %**	0.91 %	(11)BP

1 Excludes acquisition-related additions during the period.
2 In addition to postpaid phones, includes tablets and wearables and other. Tablet net (losses) were (44) and (397) for the three months and (470) and (1,164) for the nine months ended September 30, 2020 and 2019, respectively. Wearables and other net adds were 481 and 78 for the three months and 768 and 342 for the nine months ended September 30, 2020 and 2019, respectively.
3 Includes data-centric devices such as session-based tablets, monitoring devices and primarily wholesale automobile systems. Excludes postpaid tablets and other postpaid data devices.
4 Calculated by dividing the aggregate number of wireless subscribers who canceled service during a month divided by the total number of wireless subscribers at the beginning of that month. The churn rate for the period is equal to the average of the churn rate for each month of that period.
5 The third quarter includes 233 (151 phone) "Keep Americans Connected Pledge" paying accounts. The third quarter and nine-month periods ended September 30, 2020, exclude 121 (97 phone) customers who we have agreed not to terminate service under the "Keep Americans Connected Pledge" or state mandates. The third quarter and nine-month period ended September 30, 2020, churn excluding "Keep Americans Connected Pledge" paying accounts was 0.95% postpaid (0.77% phone) and 1.02% postpaid (0.82% phone), respectively.
6 The third quarter and nine-month period ended September 30, 2020, exclude subscribers transferred in connection with business dispositions.
7 The third quarter and nine-month period ended September 30, 2020, exclude 188 subscriber disconnections resulting from updating our prepaid activation policy.

Service revenue decreased in the third quarter and increased for the first nine months of 2020. The third quarter decrease is due to lower roaming revenue from continued declines in international travel. The increase for the first nine months was largely due to growth in prepaid subscribers and connected devices, offset by impacts of the pandemic.

ARPU
Postpaid ARPU decreased in the third quarter and for the first nine months. ARPU during 2020 reflects the decline in international roaming revenues and waived fees.

Churn
The effective management of subscriber churn is critical to our ability to maximize revenue growth and to maintain and improve margins. Postpaid churn and postpaid phone-only churn were lower in the first nine months due to migrations to unlimited plans, continued network improvements and lower overall involuntary disconnects partly related to the "Keep Americans Connected Pledge."

Equipment revenue increased in the third quarter and decreased for the first nine months of 2020. The increase in the third quarter is primarily driven by a mix of sales of higher-priced postpaid smartphone sales and data devices, such as wireless modems and hotspots. The decrease for the first nine months is due to suppressed equipment sales in the first quarter resulting from pandemic-related store closures.

Operations and support expenses increased in the third quarter and decreased for the first nine months of 2020. The increase in the third quarter is largely driven by higher commission deferral amortization, content costs associated with plans offering HBO Max and higher sales costs, partially offset by lower bad debt expense. The increase in commission deferral amortization is partly offset by the impacts of the second-quarter 2020 updates to extend the expected economic life of our Mobility customers.

The decrease for the first nine months was driven by lower equipment sales and marketing expense, cost initiatives, asset optimization and higher bad debt expense in 2019 resulting from prior-year charges in response to credit easing policies. Partially offsetting the decrease were costs associated with plans offering HBO Max and higher commission deferral amortization.

Depreciation expense increased in the third quarter and for the first nine months of 2020 primarily due to ongoing capital spending for network upgrades and expansion partially offset by fully depreciated assets.

Operating income decreased in the third quarter and increased for the first nine months of 2020. Our Mobility operating income margin in the third quarter decreased from 32.4% in 2019 to 31.8% in 2020, and for the first nine months increased from 32.1% in 2019 to 33.0% in 2020. Our Mobility EBITDA margin in the third quarter decreased from 43.8% in 2019 to 43.1% in 2020, and for the first nine months increased from 43.6% in 2019 to 44.5% in 2020. EBITDA is defined as operating contribution excluding equity in net income (loss) of affiliates and depreciation and amortization.

Subscriber Relationships
As the wireless industry has matured, future wireless growth will depend on our ability to offer innovative services, plans and devices that take advantage of our premier 5G wireless network, which went nationwide in July 2020, and to provide these services in bundled product offerings. Subscribers that purchase two or more services from us have significantly lower churn than subscribers that purchase only one service. To support higher mobile data usage, our priority is to best utilize a wireless network that has sufficient spectrum and capacity to support these innovations on as broad a geographic basis as possible.

To attract and retain subscribers in a mature and highly competitive market, we have launched a wide variety of plans, including our FirstNet and prepaid products, and arrangements that bundle our video services. Virtually all of our postpaid smartphone subscribers are on plans that provide for service on multiple devices at reduced rates, and such subscribers tend to have higher retention and lower churn rates. We offer unlimited data plans and such subscribers also tend to have higher retention and lower churn rates. Our offerings are intended to encourage existing subscribers to upgrade their current services and/or add devices, attract subscribers from other providers and/or minimize subscriber churn.

Connected Devices
Connected devices include data-centric devices such as wholesale automobile systems, monitoring devices, fleet management and session-based tablets. The number of connected device subscribers increased in 2020, and during the third quarter and for the first nine months of 2020, we added approximately 3.0 million and 6.7 million wholesale connected cars, respectively, through agreements with various carmakers and experienced strong growth in other Internet of Things (IoT) connections. We believe that these connected car agreements give us the opportunity to create future retail relationships with the car owners.

Entertainment Group Results

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating revenues						
Video entertainment	**$ 6,964**	$ 7,933	(12.2)%	**$ 21,335**	$ 24,042	(11.3)%
High-speed internet	**2,128**	2,117	0.5	**6,329**	6,296	0.5
Legacy voice and data services	**538**	628	(14.3)	**1,679**	1,969	(14.7)
Other service and equipment	**423**	519	(18.5)	**1,294**	1,586	(18.4)
Total Operating Revenues	**10,053**	11,197	(10.2)	**30,637**	33,893	(9.6)
Operating expenses						
Operations and support	**7,997**	8,797	(9.1)	**23,618**	25,839	(8.6)
Depreciation and amortization	**1,277**	1,316	(3.0)	**3,875**	3,978	(2.6)
Total Operating Expenses	**9,274**	10,113	(8.3)	**27,493**	29,817	(7.8)
Operating Income	**779**	1,084	(28.1)	**3,144**	4,076	(22.9)
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—	—
Operating Contribution	**$ 779**	$ 1,084	(28.1)%	**$ 3,144**	$ 4,076	(22.9)%

The following tables highlight other key measures of performance for Entertainment Group:

Connections

(in 000s)	September 30, **2020**	2019	Percent Change
Video Connections			
Premium TV[1]	**17,100**	20,418	(16.3)%
AT&T TV Now	**683**	1,145	(40.3)
Total Video Connections[1]	**17,783**	21,563	(17.5)
Total Broadband Connections[1]	**14,102**	14,301	(1.4)
Fiber Broadband Connections	**4,678**	3,696	26.6
Retail Consumer Switched Access Lines	**2,977**	3,467	(14.1)
U-verse Consumer VoIP Connections	**3,361**	3,973	(15.4)
Total Retail Consumer Voice Connections	**6,338**	7,440	(14.8)%

[1] Excludes 7 premium TV and 13 broadband connections who we have agreed not to terminate service under the "Keep Americans Connected Pledge" or state mandates.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations- Continued
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Net Additions

	Third Quarter			Nine-Month Period		
(in 000s)	**2020**	2019	Percent Change	**2020**	2019	Percent Change
Video Net Additions						
Premium TV[1]	**(590)**	(1,163)	49.3 %	**(2,373)**	(2,485)	4.5 %
AT&T TV Now	**(37)**	(195)	81.0	**(243)**	(446)	45.5
Net Video Additions[1]	**(627)**	(1,358)	53.8	**(2,616)**	(2,931)	10.7
Net Broadband Additions[1]	**158**	(119)	—	**(17)**	(108)	84.3
Fiber Broadband Net Additions	**357**	318	12.3 %	**791**	933	(15.2)%

[1] The third quarter includes 116 video and 104 broadband (28 fiber) "Keep Americans Connected Pledge" paying accounts. The third quarter and nine-month period ended September 30, 2020, exclude 7 premium TV and 13 broadband (4 fiber) connections who we have agreed not to terminate service under the "Keep Americans Connected Pledge."

Video entertainment revenues are comprised of subscription and advertising revenues. Revenues decreased in the third quarter and for the first nine months of 2020, largely driven by a decline in premium TV and OTT subscribers as we continue to focus on retention of existing subscribers with a particular focus on our high-value subscribers, and lower subscription-based advertising revenues driven by impacts of the pandemic. Consistent with the rest of the industry, our customers continue to shift from a premium linear service to more economically priced OTT and subscription video on demand offerings, which has impacted our video revenues.

High-speed internet revenues increased in the third quarter and for the first nine months of 2020, driven by higher ARPU resulting from an increase in high-speed fiber net additions and pricing, partially offset by a decline in the average subscriber base.

Legacy voice and data service revenues decreased in the third quarter and for the first nine months of 2020, reflecting the continued decline in the number of customers.

Operations and support expenses decreased in the third quarter and for the first nine months of 2020. Contributing to the decreases were lower content and selling costs largely due to fewer subscribers, the impact of one less week of NFL games compared to the prior year, and our ongoing focus on cost initiatives. Partially offsetting the decreases were annual content rate increases, higher commission and fulfillment cost deferral amortization, including the impact of the second-quarter 2020 updates to decrease the estimated economic life for our Entertainment Group customers, and pandemic-related compassion payments made in the first half of 2020.

Depreciation expense decreased in the third quarter and for the first nine months of 2020 due to network assets becoming fully depreciated, partially offset by ongoing capital spending for network upgrades and expansion.

Operating income decreased in the third quarter and for the first nine months of 2020. Our Entertainment Group operating income margin in the third quarter decreased from 9.7% in 2019 to 7.7% in 2020, and for the first nine months decreased from 12.0% in 2019 to 10.3% in 2020. Our Entertainment Group EBITDA margin in the third quarter decreased from 21.4% in 2019 to 20.5% in 2020, and for the first nine months decreased from 23.8% in 2019 to 22.9% in 2020.

Business Wireline Results

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating revenues						
Strategic and managed services	**$ 3,967**	$ 3,900	1.7 %	**$ 11,789**	$ 11,513	2.4 %
Legacy voice and data services	**2,031**	2,252	(9.8)	**6,227**	6,973	(10.7)
Other service and equipment	**342**	351	(2.6)	**1,030**	1,102	(6.5)
Total Operating Revenues	**6,340**	6,503	(2.5)	**19,046**	19,588	(2.8)
Operating expenses						
Operations and support	**3,833**	4,022	(4.7)	**11,563**	12,029	(3.9)
Depreciation and amortization	**1,329**	1,271	4.6	**3,948**	3,735	5.7
Total Operating Expenses	**5,162**	5,293	(2.5)	**15,511**	15,764	(1.6)
Operating Income	**1,178**	1,210	(2.6)	**3,535**	3,824	(7.6)
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—	—
Operating Contribution	**$ 1,178**	$ 1,210	(2.6) %	**$ 3,535**	$ 3,824	(7.6)%

Strategic and managed services revenues increased in the third quarter and for the first nine months of 2020. Our strategic services are made up of (1) data services, including our VPN, dedicated internet ethernet and broadband, (2) voice service, including VoIP and cloud-based voice solutions, (3) security and cloud solutions, and (4) managed, professional and outsourcing services. Revenue increases were primarily attributable to growth in our security and cloud solutions, dedicated internet and voice services and also includes the impact of higher demand for connectivity due to the pandemic.

Legacy voice and data service revenues decreased in the third quarter and for the first nine months of 2020, primarily due to lower demand as customers continue to shift to our more advanced IP-based offerings or our competitors.

Other service and equipment revenues decreased in the third quarter and for the first nine months of 2020, reflecting prior-year licensing of intellectual property assets. Revenue trends are impacted by the licensing of intellectual property assets, which vary from period-to-period. Other service revenues include project-based revenue, which is nonrecurring in nature, as well as revenues from customer premises equipment.

Operations and support expenses decreased in the third quarter and for the first nine months of 2020, primarily due to our continued efforts to drive efficiencies in our network operations through automation and reductions in customer support expenses through digitization.

Depreciation expense increased in the third quarter and for the first nine months of 2020, primarily due to increases in capital spending for network upgrades and expansion.

Operating income decreased in the third quarter and for the first nine months of 2020. Our Business Wireline operating income margin in the third quarter remained consistent at 18.6% in 2019 and 18.6% in 2020, and for the first nine months decreased from 19.5% in 2019 to 18.6% in 2020. Our Business Wireline EBITDA margin in the third quarter increased from 38.2% in 2019 to 39.5% in 2020, and for the first nine months increased from 38.6% in 2019 to 39.3% in 2020.

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WARNERMEDIA SEGMENT	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Segment Operating Revenues						
Turner	**$ 3,176**	$ 3,007	5.6 %	**$ 9,326**	$ 9,860	(5.4)%
Home Box Office	**1,781**	1,819	(2.1)	**4,905**	5,045	(2.8)
Warner Bros.	**2,411**	3,333	(27.7)	**8,907**	10,240	(13.0)
Eliminations and other	**146**	191	(23.6)	**(962)**	845	—
Total Segment Operating Revenues	**7,514**	8,350	(10.0)	**22,176**	25,990	(14.7)
Cost of revenues						
Turner	**1,689**	1,036	63.0	**3,974**	4,512	(11.9)
Home Box Office	**1,244**	847	46.9	**3,155**	2,356	33.9
Warner Bros.	**1,600**	2,261	(29.2)	**6,179**	7,183	(14.0)
Selling, general and administrative	**1,364**	1,278	6.7	**4,152**	3,994	4.0
Eliminations and other	**(313)**	(93)	—	**(1,455)**	(127)	—
Depreciation and amortization	**171**	165	3.6	**501**	425	17.9
Total Operating Expenses	**5,755**	5,494	4.8	**16,506**	18,343	(10.0)
Operating Income	**1,759**	2,856	(38.4)	**5,670**	7,647	(25.9)
Equity in Net Income (Loss) of Affiliates	**11**	15	(26.7)	**30**	137	(78.1)
Total Segment Operating Contribution	**$ 1,770**	$ 2,871	(38.3)%	**$ 5,700**	$ 7,784	(26.8)%

Our WarnerMedia segment includes our Turner, Home Box Office (HBO) and Warner Bros. business units. The order of presentation reflects the consistency of revenue streams, rather than overall magnitude as that is subject to timing and frequency of studio releases.

Operating revenues decreased in the third quarter and for the first nine months of 2020, primarily due to lower theatrical and television product revenues, reflecting the pandemic-related postponement of theatrical releases and television production delays at Warner Bros. HBO revenues also declined, driven by lower licensing revenues that were partially offset by growth in international revenues and domestic direct-to-consumer subscribers. Turner revenues were higher in the third quarter as a result of increased advertising revenues that shifted from the second quarter to the third quarter as a result of the restart of the NBA season, but lower for the nine months due to advertising revenues lost as a result of pandemic-related cancellation of other televised sporting events.

Operating contribution decreased in the third quarter and for the first nine months of 2020. The WarnerMedia segment operating income margin in the third quarter decreased from 34.2% in 2019 to 23.4% in 2020 and for the first nine months decreased from 29.4% in 2019 to 25.6% in 2020.

WarnerMedia Business Unit Discussion

Turner Results

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating revenues						
Subscription	**$ 1,840**	$ 1,927	(4.5)%	**$ 5,693**	$ 5,835	(2.4)%
Advertising	**1,077**	913	18.0	**2,830**	3,440	(17.7)
Content and other	**259**	167	55.1	**803**	585	37.3
Total Operating Revenues	**3,176**	3,007	5.6	**9,326**	9,860	(5.4)
Operating expenses						
Cost of revenues	**1,689**	1,036	63.0	**3,974**	4,512	(11.9)
Selling, general and administrative	**399**	424	(5.9)	**1,171**	1,301	(10.0)
Depreciation and amortization	**69**	68	1.5	**207**	167	24.0
Total Operating Expenses	**2,157**	1,528	41.2	**5,352**	5,980	(10.5)
Operating Income	**1,019**	1,479	(31.1)	**3,974**	3,880	2.4
Equity in Net Income (Loss) of Affiliates	**(6)**	10	—	**—**	46	—
Operating Contribution	**$ 1,013**	$ 1,489	(32.0)%	**$ 3,974**	$ 3,926	1.2 %

Operating revenues increased in the third quarter and decreased for the first nine months of 2020. The increase in the quarter was primarily due to increases in advertising revenue resulting from shifting the remainder of the NBA season into the third quarter and higher content and other revenues from sales to HBO Max, which are eliminated in consolidation within the WarnerMedia segment. Partially offsetting the increases were unfavorable foreign exchange rates and lower subscription revenues at regional sports networks.

The decrease for the nine months was primarily due to lower advertising revenues resulting from the cancellation of the NCAA Division I Men's Basketball Tournament in the first quarter of 2020; lower subscription revenues at regional sports networks; and unfavorable exchange rates. These decreases were partially offset by higher content and other revenue, including internal sales to HBO Max.

Cost of revenues increased in the third quarter and decreased for the first nine months of 2020. The increase in the third quarter was primarily due to higher programming costs, including sports costs of approximately $600 resulting from the shift of the remainder of the NBA season from the second to the third quarter. The decrease for the first nine months was primarily due to lower sports programming costs. We expect continued impacts from shifting sporting event schedules and/or compressed seasons, for example the delay of the NBA season that historically has started in the fourth quarter.

Selling, general and administrative decreased in the third quarter and for the first nine months of 2020.

Operating income decreased in the third quarter and increased for the first nine months of 2020. Our Turner operating income margin in the third quarter decreased from 49.2% in 2019 to 32.1% in 2020, and for the first nine months increased from 39.4% in 2019 to 42.6% in 2020.

Home Box Office Results

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating revenues						
Subscription	**$ 1,624**	$ 1,533	5.9 %	**$ 4,403**	$ 4,383	0.5 %
Content and other	**157**	286	(45.1)	**502**	662	(24.2)
Total Operating Revenues	**1,781**	1,819	(2.1)	**4,905**	5,045	(2.8)
Operating expenses						
Cost of revenues	**1,244**	847	46.9	**3,155**	2,356	33.9
Selling, general and administrative	**450**	225	—	**1,081**	768	40.8
Depreciation and amortization	**27**	33	(18.2)	**73**	67	9.0
Total Operating Expenses	**1,721**	1,105	55.7	**4,309**	3,191	35.0
Operating Income	**60**	714	(91.6)	**596**	1,854	(67.9)
Equity in Net Income (Loss) of Affiliates	**—**	10	—	**15**	40	(62.5)
Operating Contribution	**$ 60**	$ 724	(91.7)%	**$ 611**	$ 1,894	(67.7)%

Operating revenues decreased in the third quarter and for the first nine months of 2020, primarily due to decreases in content and other revenue resulting from lower content licensing. Partially offsetting these decreases was growth in international subscription revenue primarily due to the May 2020 acquisition of HBO LAG and higher domestic direct-to-consumer subscribers. At September 30, 2020, we had 38.0 million U.S. subscribers from HBO Max and HBO, up from 34.6 million at December 31, 2019.

Cost of revenues increased in the third quarter and for the first nine months of 2020, primarily due to approximately $560 of programming investment related to HBO Max.

Selling, general and administrative increased in the third quarter and for the first nine months of 2020, primarily due to higher marketing costs associated with HBO Max.

Operating income decreased in the third quarter and for the first nine months of 2020. Our HBO operating income margin in the third quarter decreased from 39.3% in 2019 to 3.4% in 2020, and for the first nine months decreased from 36.7% in 2019 to 12.2% in 2020.

Warner Bros. Results

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating revenues						
Theatrical product	**$ 1,068**	$ 1,375	(22.3)%	**$ 3,203**	$ 4,408	(27.3)%
Television product	**960**	1,461	(34.3)	**4,605**	4,384	5.0
Games and other	**383**	497	(22.9)	**1,099**	1,448	(24.1)
Total Operating Revenues	**2,411**	3,333	(27.7)	**8,907**	10,240	(13.0)
Operating expenses						
Cost of revenues	**1,600**	2,261	(29.2)	**6,179**	7,183	(14.0)
Selling, general and administrative	**373**	445	(16.2)	**1,327**	1,360	(2.4)
Depreciation and amortization	**43**	39	10.3	**124**	122	1.6
Total Operating Expenses	**2,016**	2,745	(26.6)	**7,630**	8,665	(11.9)
Operating Income	**395**	588	(32.8)	**1,277**	1,575	(18.9)
Equity in Net Income (Loss) of Affiliates	**(23)**	(25)	8.0	**(50)**	(19)	—
Operating Contribution	**$ 372**	$ 563	(33.9)%	**$ 1,227**	$ 1,556	(21.1)%

Operating revenues decreased in the third quarter and for the first nine months of 2020, primarily due to pandemic-related movie theater closures and television and theatrical production delays.

Theatrical product revenues in the third quarter and for the first nine months were lower due to partial reopening of theaters, postponement of theatrical releases and unfavorable comparisons to the prior year, which included, in first-quarter 2019, carryover revenues from the theatrical release of *Aquaman*.

Television product revenues decreased in the third quarter, primarily due to lower initial telecast revenues resulting from television production delays and also lower licensing. For the first nine months, television product revenues increased from licensing, including internal sales to HBO Max, which are eliminated in consolidation within the WarnerMedia segment.

Games and other revenue declines in the third quarter and for the first nine months were primarily due to reduced studio operations and unfavorable games comparison to the prior year, which included the second-quarter 2019 release of *Mortal Kombat 11*.

Cost of revenues decreased in the third quarter and for the first nine months of 2020, primarily due to the production hiatus and lower marketing of theatrical product, partially offset by incremental production shutdown costs.

Selling, general and administrative decreased in the third quarter and for the first nine months of 2020, primarily due to lower print and advertising expenses and lower distribution fees. Favorable collection experience in the third quarter allowed us to reduce our first quarter bad debt estimates.

Operating income decreased in the third quarter and for the first nine months of 2020. Our Warner Bros. operating income margin in the third quarter decreased from 17.6% in 2019 to 16.4% in 2020, and for the first nine months decreased from 15.4% in 2019 to 14.3% in 2020.

LATIN AMERICA SEGMENT	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Segment Operating Revenues						
Vrio	**$ 753**	$ 1,013	(25.7)%	**$ 2,392**	$ 3,112	(23.1)%
Mexico	**643**	717	(10.3)	**1,826**	2,093	(12.8)
Total Segment Operating Revenues	**1,396**	1,730	(19.3)	**4,218**	5,205	(19.0)
Segment Operating Contribution						
Vrio	**(34)**	13	—	**(101)**	43	—
Mexico	**(143)**	(179)	20.1	**(461)**	(591)	22.0
Total Segment Operating Contribution	**$ (177)**	$ (166)	(6.6)%	**$ (562)**	$ (548)	(2.6)%

Operating Results
Our Latin America operations conduct business in their local currency and operating results are converted to U.S. dollars using official exchange rates, subjecting results to foreign currency fluctuations. In May 2020, we found it necessary to close our DIRECTV operations in Venezuela due to political instability in the country and to comply with sanctions of the U.S. government.

Operating revenues decreased in the third quarter and for the first nine months of 2020 primarily driven by foreign exchange rates and the impact of COVID-19.

Operating contribution decreased in the third quarter and for the first nine months of 2020, reflecting foreign exchange rates and the impact of COVID-19. Our Latin America segment operating income margin in the third quarter decreased from (10.3)% in 2019 to (13.7)% in 2020, and for the first nine months decreased from (11.0)% in 2019 to (13.9)% in 2020.

Latin America Business Unit Discussion
Vrio Results

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating revenues	**$ 753**	$ 1,013	(25.7)%	**$ 2,392**	$ 3,112	(23.1)%
Operating expenses						
Operations and support	**675**	851	(20.7)	**2,119**	2,598	(18.4)
Depreciation and amortization	**126**	162	(22.2)	**400**	496	(19.4)
Total Operating Expenses	**801**	1,013	(20.9)	**2,519**	3,094	(18.6)
Operating Income (Loss)	**(48)**	—	—	**(127)**	18	—
Equity in Net Income (Loss) of Affiliates	**14**	13	7.7	**26**	25	4.0
Operating Contribution	**$ (34)**	$ 13	— %	**$ (101)**	$ 43	— %

The following tables highlight other key measures of performance for Vrio:

(in 000s)	September 30, 2020	2019	Percent Change
Vrio Video Subscribers	**10,893**	13,306	(18.1)%

	Third Quarter			Nine -Month Period		
(in 000s)	**2020**	2019	Percent Change	**2020**	2019	Percent Change
Vrio Video Net Additions[1]	**229**	(167)	— %	**(197)**	(310)	36.5 %

[1] The nine-month period ended September 30, 2020, excludes the impact of 2.2 million subscriber disconnections resulting from the closure of our DIRECTV operations in Venezuela.

Operating revenues decreased in the third quarter and for the first nine months of 2020, primarily driven by foreign exchange and COVID-19 impacts.

Operations and support expenses decreased in the third quarter and for the first nine months of 2020, primarily driven by foreign exchange and COVID-19 impacts. Approximately 21% of Vrio expenses are U.S. dollar based, with the remainder in the local currency.

Depreciation expense decreased in the third quarter and for the first nine months of 2020, primarily due to changes in foreign exchange rates.

Operating income decreased in the third quarter and for the first nine months of 2020. Our Vrio operating income was $(48), or an operating income margin of (6.4)%, compared to an operating income of $0 in the year-earlier quarter. Our Vrio operating income margin for the first nine months decreased from 0.6% in 2019 to (5.3)% in 2020. Our Vrio EBITDA margin in the third quarter decreased from 16.0% in 2019 to 10.4% in 2020, and for the first nine months decreased from 16.5% in 2019 to 11.4% in 2020.

Mexico Results

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating revenues						
Service	**$ 385**	$ 455	(15.4)	**$ 1,197**	$ 1,376	(13.0)%
Equipment	**258**	262	(1.5)	**629**	717	(12.3)
Total Operating Revenues	**643**	717	(10.3)	**1,826**	2,093	(12.8)
Operating expenses						
Operations and support	**662**	774	(14.5)	**1,914**	2,312	(17.2)
Depreciation and amortization	**124**	122	1.6	**373**	372	0.3
Total Operating Expenses	**786**	896	(12.3)	**2,287**	2,684	(14.8)
Operating Income (Loss)	**(143)**	(179)	20.1	**(461)**	(591)	22.0
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—	—
Operating Contribution	**$ (143)**	$ (179)	20.1 %	**$ (461)**	$ (591)	22.0 %

The following tables highlight other key measures of performance for Mexico:

(in 000s)	September 30, 2020	2019	Percent Change
Mexico Wireless Subscribers			
Postpaid	**4,710**	5,352	(12.0)%
Prepaid	**13,249**	12,848	3.1
Reseller	**455**	419	8.6
Total Mexico Wireless Subscribers	**18,414**	18,619	(1.1)%

	Third Quarter			Nine-Month Period		
(in 000s)	**2020**	2019	Percent Change	**2020**	2019	Percent Change
Mexico Wireless Net Additions[1]						
Postpaid	**(61)**	(137)	55.5 %	**(393)**	(359)	(9.5)%
Prepaid	**472**	668	(29.3)	**(335)**	1,183	—
Reseller	**30**	67	(55.2)	**83**	166	(50.0)

Mexico Wireless Net Additions	**441**	598	(26.3)%	**(645)**	990	— %

[1] The nine-month period ended September 30, 2020, excludes the impact of 101 subscriber disconnections resulting from conforming our policy on reporting of fixed wireless resellers.

Service revenues decreased in the third quarter and for the first nine months of 2020, primarily due to foreign exchange rates, as well as lower volumes and store traffic related to COVID-19.

Equipment revenues decreased in the third quarter and for the first nine months of 2020, primarily due to changes in foreign exchange rates. The decrease for the first nine months also includes lower equipment sales volumes related to COVID-19.

Operations and support expenses decreased in the third quarter and for the first nine months of 2020, primarily due to changes in foreign exchange rates. The decrease for the first nine months also includes lower equipment sales. Approximately 7% of Mexico expenses are U.S. dollar based, with the remainder in the local currency.

Depreciation and amortization expense increased in the third quarter and for the first nine months of 2020, primarily due to the amortization of spectrum licenses and higher in-service assets. These increases were partially offset by changes in foreign exchange rates.

Operating income increased in the third quarter and first nine months of 2020. Our Mexico operating income margin in the third quarter increased from (25.0)% in 2019 to (22.2)% in 2020, and for the first nine months increased from (28.2)% in 2019 to (25.2)% in 2020. Our Mexico EBITDA margin in the third quarter increased from (7.9)% in 2019 to (3.0)% in 2020, and for the first nine months increased from (10.5)% in 2019 to (4.8)% in 2020.

SUPPLEMENTAL TOTAL ADVERTISING REVENUE INFORMATION

As a supplemental presentation, we are providing a view of total advertising revenues generated by AT&T. See revenue categories tables in Note 5 for a reconciliation.

Total Advertising Revenues

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating Revenues						
Turner	**$ 1,077**	$ 913	18.0 %	**$ 2,830**	$ 3,440	(17.7)%
Xandr	**497**	504	(1.4)	**1,348**	1,415	(4.7)
Entertainment Group	**408**	421	(3.1)	**1,115**	1,170	(4.7)
Other	**105**	106	(0.9)	**278**	281	(1.1)
Eliminations	**(408)**	(421)	3.1	**(1,115)**	(1,170)	4.7
Total Advertising Revenues	**$ 1,679**	$ 1,523	10.2 %	**$ 4,456**	$ 5,136	(13.2)%

SUPPLEMENTAL COMMUNICATIONS OPERATING INFORMATION

As a supplemental presentation to our Communications segment operating results, we are providing a view of our AT&T Business Solutions results which includes both wireless and wireline operations. This combined view presents a complete profile of the entire business customer relationship and underscores the importance of mobile solutions to serving our business customers. Results have been recast to conform to the current period's classification of consumer and business wireless subscribers. See "Discussion and Reconciliation of Non-GAAP Measure" for a reconciliation of these supplemental measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Business Solutions Results

	Third Quarter			Nine-Month Period		
	2020	2019	Percent Change	**2020**	2019	Percent Change
Operating revenues						
Wireless service	**$ 1,951**	$ 1,888	3.3 %	**$ 5,784**	$ 5,546	4.3 %
Strategic and managed services	**3,967**	3,900	1.7	**11,789**	11,513	2.4
Legacy voice and data services	**2,031**	2,252	(9.8)	**6,227**	6,973	(10.7)
Other service and equipment	**342**	351	(2.6)	**1,030**	1,102	(6.5)
Wireless equipment	**662**	692	(4.3)	**1,957**	1,899	3.1
Total Operating Revenues	**8,953**	**9,083**	(1.4)	**26,787**	27,033	(0.9)
Operating expenses						
Operations and support	**5,508**	5,645	(2.4)	**16,642**	16,771	(0.8)
Depreciation and amortization	**1,650**	1,573	4.9	**4,912**	4,643	5.8
Total Operating Expenses	**7,158**	7,218	(0.8)	**21,554**	21,414	0.7
Operating Income	**1,795**	1,865	(3.8)	**5,233**	5,619	(6.9)
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—	—
Operating Contribution	**$ 1,795**	$ 1,865	(3.8) %	**$ 5,233**	$ 5,619	(6.9)%

OTHER BUSINESS MATTERS

Spectrum Auction In March 2020, we were the winning bidder of high-frequency 37/39 GHz licenses in FCC Auction 103 covering an average of 786 MHz nationwide for approximately $2,400. Prior to the auction, we exchanged the 39 GHz licenses with a book value of approximately $300 that were previously acquired through FiberTower Corporation for vouchers to be applied against the winning bids and recorded a $900 gain in the first quarter of 2020. These vouchers yielded a value of approximately $1,200 which was applied toward our $2,400 gross bids. We made our final payment of approximately $950 for the Auction 103 payment in April 2020.The FCC granted the licenses in June 2020.

Labor Contracts As of September 30, 2020, we employed approximately 235,000 persons. Approximately 40% of our employees are represented by the Communications Workers of America (CWA), the International Brotherhood of Electrical Workers (IBEW) or other unions. After expiration of the collective bargaining agreements, work stoppages or labor disruptions may occur in the absence of new contracts or other agreements being reached.

- A contract covering approximately 7,000 Mobility employees expired in February 2020. In March 2020, a new 4-year contract was ratified by employees and will expire in February 2024.
- A contract covering approximately 13,000 wireline employees in our West region expired in April 2020. In May 2020, a new 4-year contract was ratified by employees and will expire in April 2024.
- A contract covering approximately 14,000 employees in the Southwest region scheduled to expire in April 2021 was extended four years and will now expire in April 2025.

Pension Diversification In 2013, we made a voluntary contribution of 320 million Series A Cumulative Perpetual Preferred Membership Interests in Mobility II (Mobility preferred interests), the primary holding company for our wireless business, to the trust used to pay pension benefits under certain of our qualified pension plans. Since their contribution, the Mobility preferred interests are plan assets under the Employee Retirement Income Security Act of 1974, as amended (ERISA) and have been recognized as such in the plan's separate financial statements. On September 28, 2020, the trust, through the independent investment manager/fiduciary, sold 106.7 million of these interests to unrelated third parties. The aggregate purchase price was $2,885, which includes accrued distributions through the date of sale.

COMPETITIVE AND REGULATORY ENVIRONMENT

Overview AT&T subsidiaries operating within the United States are subject to federal and state regulatory authorities. AT&T subsidiaries operating outside the United States are subject to the jurisdiction of national and supranational regulatory authorities in the markets where service is provided.

In the Telecommunications Act of 1996 (Telecom Act), Congress established a national policy framework intended to bring the benefits of competition and investment in advanced telecommunications facilities and services to all Americans by opening all telecommunications markets to competition and reducing or eliminating regulatory burdens that harm consumer welfare. Nonetheless, over the ensuing two decades, the FCC and some state regulatory commissions have maintained or expanded certain regulatory requirements that were imposed decades ago on our traditional wireline subsidiaries when they operated as legal monopolies. More recently, the FCC has pursued a more deregulatory agenda, eliminating a variety of antiquated and unnecessary regulations and streamlining its processes in a number of areas. In addition, we are pursuing, at both the state and federal levels, additional legislative and regulatory measures to reduce regulatory burdens that are no longer appropriate in a competitive telecommunications market and that inhibit our ability to compete more effectively and offer services wanted and needed by our customers, including initiatives to transition services from traditional networks to all IP-based networks. At the same time, we also seek to ensure that legacy regulations are not further extended to broadband or wireless services, which are subject to vigorous competition.

Communications Segment
Internet The FCC currently classifies fixed and mobile consumer broadband services as information services, subject to light-touch regulation. The D.C. Circuit upheld the FCC's current classification, although it remanded three discrete issues to the FCC for further consideration. No party sought Supreme Court review of the D.C. Circuit's decision, so that decision is final.

Some states have adopted legislation or issued executive orders that would reimpose net neutrality rules repealed by the FCC. Suits have been filed concerning such laws in two states. In October 2016, the FCC adopted new rules governing the use of customer information by providers of broadband internet access service. Those rules were more restrictive in certain respects than those governing other participants in the internet economy, including so-called "edge" providers such as Google and Facebook. In April 2017, the President signed a resolution passed by Congress repealing the new rules under the Congressional Review Act.

Privacy-related legislation has been considered or adopted in a number of states. Legislative and regulatory action and ballot initiatives could result in increased costs of compliance, claims against broadband internet access service providers and others, and increased uncertainty in the value and availability of data. Effective as of January 1, 2020, a California state law gives consumers the right to know what personal information is being collected about them, and whether and to whom it is sold or disclosed, and to access and request deletion of this information. Subject to certain exceptions, it also gives California consumers the right to opt out of the sale of personal information.

Wireless The industry-wide deployment of 5G technology, which is needed to satisfy extensive demand for video and internet access, will involve significant deployment of "small cell" equipment and therefore increase the need for local permitting processes that allow for the placement of small cell equipment on reasonable timelines and terms. Federal regulations also can delay and impede the deployment of infrastructure used to provide telecommunications and broadband services, including small cell equipment. In March, August and September 2018, the FCC adopted orders to streamline federal and local wireless infrastructure review processes in order to facilitate deployment of next-generation wireless facilities. Specifically, the FCC's March 2018 Order streamlined historical, tribal, and environmental review requirements for wireless infrastructure, including the exclusion of most small cell facilities from such review. The Order was appealed and in August 2019, the D.C. Circuit Court of Appeals vacated the FCC's finding that most small cell facilities are excluded from review, but otherwise upheld the FCC's Order. The FCC's August and September 2018 Orders simplified the regulations for attaching telecommunications equipment to utility poles and clarified when local government right-of-way access and use restrictions can be preempted because they unlawfully prohibit the provision of telecommunications services. Those orders were appealed to the 9th Circuit Court of Appeals, which in August 2020 largely upheld the FCC Orders. In addition to the FCC's actions, to date, 28 states and Puerto Rico have adopted legislation to facilitate small cell deployment.

In December 2018, we introduced the nation's first commercial mobile 5G service. In July 2020, we announced nationwide 5G coverage. We anticipate the introduction of 5G handsets and devices will contribute to a renewed interest in equipment upgrades.

LIQUIDITY AND CAPITAL RESOURCES

We had $9,758 in "Cash and cash equivalents" available at September 30, 2020. "Cash and cash equivalents" included cash of $2,222 and money market funds and other cash equivalents of $7,536. Approximately $2,031 of our "Cash and cash equivalents" were held by our foreign entities in accounts predominantly outside of the U.S. and may be subject to restrictions on repatriation.

The Company's liquidity and capital resources were not materially impacted by COVID-19 and related economic conditions during the first nine months of 2020. We will continue to monitor impacts on the COVID-19 pandemic on our liquidity and capital resources.

"Cash and cash equivalents" decreased $2,372 since December 31, 2019. In the first nine months of 2020, cash inflows were primarily provided by the cash receipts from operations, including cash from our sale and transfer of our receivables to third parties, the issuances of commercial paper and long-term debt and the issuances of cumulative preferred stock and cumulative preferred interests in a subsidiary. These inflows were offset by cash used to meet the needs of the business, including, but not limited to, payment of operating expenses, debt repayments, funding capital expenditures and vendor financing payments, dividends to stockholders, share repurchases, and spectrum acquisitions.

Cash Provided by or Used in Operating Activities
During the first nine months of 2020, cash provided by operating activities was $33,048, compared to $36,725 for the first nine months of 2019, impacted by the timing of working capital payments.

We actively manage the timing of our supplier payments for operating items to optimize the use of our cash. Among other things, we seek to make payments on 90-day or greater terms, while providing the suppliers with access to bank facilities that permit earlier payments at their cost. In addition, for payments to a key supplier, as part of our working capital initiatives, we have arrangements that allow us to extend payment terms up to 90 days at an additional cost to us (referred to as supplier financing). The net impact of supplier financing was to decrease cash from operating activities $1,051 and $345 for the nine months ended September 30, 2020 and 2019, respectively. All supplier financing payments are due within one year.

Cash Used in or Provided by Investing Activities
For the first nine months of 2020, cash used in investing activities totaled $13,726, and consisted primarily of $13,283 (including interest during construction) for capital expenditures, final payment of approximately $950 for wireless spectrum licenses won in Auction 103, and $141 for acquiring the remaining interest in HBO LAG. During the third quarter, we also received approximately $400 from corporate owned life insurance investments.

For capital improvements, we have negotiated favorable vendor payment terms of 120 days or more (referred to as vendor financing) with some of our vendors, which are excluded from capital expenditures and reported as financing activities. For the first nine months of 2020, vendor financing payments were $1,965, compared to $2,601 for the first nine months of 2019. Capital expenditures in the first nine months of 2020 were $13,283, and when including $1,965 cash paid for vendor financing and excluding $143 of FirstNet reimbursements, gross capital investment was $15,391 ($3,156 lower than the prior-year comparable period).

The vast majority of our capital expenditures are spent on our networks, including product development and related support systems. During the first nine months, we placed $3,148 of equipment in service under vendor financing arrangements (compared to $1,917 in the prior-year comparable period) and approximately $940 of assets related to the FirstNet build (compared to $850 in the prior-year comparable period). We expect to receive approximately $1,400 in reimbursement from the government by year-end for the completion of certain task orders. The amount of capital expenditures is influenced by demand for services and products, capacity needs and network enhancements.

Cash Provided by or Used in Financing Activities
For the first nine months of 2020, cash used in financing activities totaled $21,768 and was comprised of debt issuances and repayments, issuances of preferred stock and preferred interests in a subsidiary, payments of dividends, and share repurchases.

During the first nine months of 2020, debt issuances included proceeds of $9,440 in short-term borrowings (including approximately $3,950 of commercial paper) and $31,987 of net proceeds from long-term debt. Borrowing activity included the following issuances:

Issued and redeemed in 2020:
- March draw of $750 on a private financing agreement (repaid in the second quarter).
- April draw of $5,500 on a term loan credit agreement with certain commercial banks and Bank of America, N.A., as lead agent (repaid in the second quarter).

Issued and outstanding in 2020:
- February issuance of $2,995 of 4.000% global notes due 2049.
- March borrowings of $665 from loan programs with export agencies of foreign governments to support network equipment purchases in those countries.
- May issuances totaling $12,500 in global notes, comprised of $2,500 of 2.300% global notes due 2027, $3,000 of 2.750% global notes due 2031, $2,500 of 3.500% global notes due 2041, $3,000 of 3.650% global notes due 2051 and $1,500 of 3.850% global notes due 2060.
- May issuances totaling €3,000 million in global notes (approximately $3,281 at issuance), comprised of €1,750 million of 1.600% global notes due 2028, €750 million of 2.050% global notes due 2032 and €500 million of 2.600% global notes due 2038.
- June issuance of $1,050 of 3.750% global notes due 2050.
- August issuances totaling $11,000 in global notes, comprised of $2,250 of 1.650% global notes due 2028, $2,500 of 2.250% global notes due 2032, $2,500 of 3.100% global notes due 2043, $2,250 of 3.300% global notes due 2052 and $1,500 of 3.500% global notes due 2061.

During the first nine months of 2020, repayments of debt included $7,710 of short-term borrowings (including $2,210 of commercial paper) and $37,583 of long-term debt. Repayments included:

Notes redeemed at maturity:
- $800 of AT&T floating-rate notes in the first quarter.
- $687 of AT&T floating-rate notes in the second quarter.
- €2,250 of AT&T floating-rate notes in the third quarter (approximately $2,637 at maturity).

Notes redeemed or repurchased prior to maturity:
- $2,619 of 4.600% AT&T global notes with original maturity in 2045, in the first quarter.
- $2,750 of 2.450% AT&T global notes with original maturity in 2020, in the second quarter
- $1,000 of annual put reset securities issued by BellSouth, in the second quarter.
- $683 of 4.600% AT&T global notes with original maturity in 2021, in the second quarter.
- $1,695 of 2.800% AT&T global notes with original maturity in 2021, in the second quarter.
- $853 of 4.450% AT&T global notes with original maturity in 2021, in the second quarter.
- $1,172 of 3.875% AT&T global notes with original maturity in 2021, in the second quarter.
- $1,430 of 5.500% AT&T global notes with original maturity in 2047, in the second quarter.
- $1,457 of 3.000% AT&T global notes with original maturity in 2022, in the third quarter.
- $1,250 of 3.200% AT&T global notes with original maturity in 2022, in the third quarter.
- $1,012 of 3.800% AT&T global notes with original maturity in 2022, in the third quarter.
- $422 of 4.000% AT&T global notes with original maturity in 2022, in the third quarter.
- $60 of 3.800% DIRECTV senior notes with original maturity in 2022, in the third quarter.
- $63 of 4.00% Warner Media, LLC notes with original maturity in 2022, in the third quarter.
- $11,384 of AT&T global notes and subsidiary notes that were tendered for cash in the third quarter. The notes had floating and fixed interest rates. The fixed rates ranged from 3.400% to 7.850% and original maturities ranging from 2021 to 2025.
- $53 of 3.400% Warner Media, LLC notes with original maturity in 2022, in the third quarter.
- $177 of 3.400% AT&T global notes with original maturity in 2022, in the third quarter.
- $928 of 3.600% AT&T global notes with original maturity in 2023, in the third quarter.

Credit facilities repaid and other borrowings:
- $750 of borrowings under a private financing agreement, in the first quarter.
- $750 of borrowings under a private financing agreement, in the second quarter.
- $5,500 under our April 2020 term loan credit agreement with certain commercial banks and Bank of America, in the second quarter.
- $1,300 under our term loan credit agreement with Bank of America, in the second quarter.
- $500 under our term loan credit agreement with Bank of Communications Co., in the second quarter.
- R$3,381 of Sky Serviços de Banda Larga Ltda. floating-rate loan in the third quarter (approximately $1,000 when issued in April 2018 and $638 at redemption due to strengthening of the U.S. dollar against Brazilian real).

During the third quarter of 2020, we also exchanged $17,677 of AT&T and subsidiary notes, with interest rates ranging from 4.35% to 8.75% and original maturities ranging from 2031 to 2058 for $1,459 of cash and $21,500 of three new series of AT&T global notes, with interest rates ranging from 3.50% to 3.65% and maturities ranging from 2053 to 2059.

Our weighted average interest rate of our entire long-term debt portfolio, including the impact of derivatives, was approximately 4.1% as of September 30, 2020 and 4.4% as of December 31, 2019. We had $155,218 of total notes and debentures outstanding at September 30, 2020, which included Euro, British pound sterling, Canadian dollar, Swiss franc, Australian dollar, Brazilian real, and Mexican peso denominated debt that totaled approximately $43,347.

At September 30, 2020, we had $5,898 of debt maturing within one year, consisting of $1,754 of commercial paper borrowings and $4,144 of long-term debt issuances. Debt maturing within one year includes the following notes that may be put back to us by the holders:
- An accreting zero-coupon note that may be redeemed each May until maturity in 2022. If the remainder of the zero-coupon note (issued for principal of $500 in 2007 and partially exchanged in the 2017 debt exchange offers) is held to maturity, the redemption amount will be $592.

For the first nine months of 2020, we paid $1,965 of cash under our vendor financing program, compared to $2,601 in the first nine months of 2019. Total vendor financing payables included in our September 30, 2020 consolidated balance sheet were approximately $3,252, with $1,474 due within one year (in "Accounts payable and accrued liabilities") and the remainder predominantly due within two to three years (in "Other noncurrent liabilities").

Financing activities in the first nine months of 2020 also included $1,979 from the September issuance of preferred interests in a subsidiary and $3,869 for the February issuance of Series B and Series C preferred stock (see Note 11).

We repurchased approximately 142 million shares of common stock, predominantly in the first quarter, and completed the share repurchase authorization approved by the Board of Directors in 2013. In March 2020, we cancelled an accelerated share repurchase agreement that was planned for the second quarter and other repurchases to maintain flexibility and focus on continued investment in serving our customers, taking care of our employees and enhancing our network, including 5G. At September 30, 2020, we had approximately 178 million shares remaining from our share repurchase authorizations approved by the Board of Directors in 2014.

We paid dividends on common and preferred shares of $11,215 during the first nine months of 2020, compared with $11,162 for the first nine months of 2019. Dividends were higher in 2020, primarily due to dividend payments to preferred stockholders and the increase in our quarterly dividend on common stock approved by our Board of Directors in December 2019, partially offset by fewer shares outstanding.

Dividends on common stock declared by our Board of Directors totaled $1.56 per share in the first nine months of 2020 and $1.53 per share for the first nine months of 2019. Our dividend policy considers the expectations and requirements of stockholders, capital funding requirements of AT&T and long-term growth opportunities. It is our intent to provide the financial flexibility to allow our Board of Directors to consider dividend growth and to recommend an increase in dividends to be paid in future periods. All dividends remain subject to declaration by our Board of Directors.

Credit Facilities
The following summary of our various credit and loan agreements does not purport to be complete and is qualified in its entirety by reference to each agreement filed as exhibits to our Annual Report on Form 10-K.

We use credit facilities as a tool in managing our liquidity status. In December 2018, we amended our five-year revolving credit agreement (the "Amended and Restated Credit Agreement") and concurrently entered into a new five-year agreement (the "Five Year Credit Agreement") such that we now have two $7,500 revolving credit agreements totaling $15,000. The Amended and Restated Credit Agreement terminates on December 11, 2021 and the Five Year Credit Agreement terminates on December 11, 2023. No amounts were outstanding under either agreement as of September 30, 2020.

In September 2019, we entered into and drew on a $1,300 term loan credit agreement containing (i) a 1.25 year $400 facility due in 2020 (BAML Tranche A Facility), (ii) a 2.25 year $400 facility due in 2021 (BAML Tranche B Facility), and (iii) a 3.25 year $500 facility due in 2022 (BAML Tranche C Facility), with Bank of America, N.A., as agent. These facilities were repaid and terminated in the second quarter of 2020.

On April 6, 2020, we entered into and drew on a $5,500 Term Loan Credit Agreement (Term Loan) with 11 commercial banks and Bank of America, N.A. as lead agent. We repaid and terminated the Term Loan in May 2020.

We also utilize other external financing sources, which include various credit arrangements supported by government agencies to support network equipment purchases as well as a commercial paper program.

Each of our credit and loan agreements contains covenants that are customary for an issuer with an investment grade senior debt credit rating as well as a net debt-to-EBITDA financial ratio covenant requiring AT&T to maintain, as of the last day of each fiscal quarter, a ratio of not more than 3.5-to-1. As of September 30, 2020, we were in compliance with the covenants for our credit facilities.

Collateral Arrangements
During 2019 and 2020, we amended collateral arrangements with counterparties to require cash collateral posting by AT&T only when derivative market values exceed certain thresholds. Under these arrangements, which cover over 90% of our approximate $43,000 derivative portfolio, counterparties are still required to post collateral. During the first nine months of 2020, we deposited approximately $320 of cash collateral, on a net basis. Cash postings under these arrangements vary with changes in credit ratings and netting agreements. (See Note 7)

Other
Our total capital consists of debt (long-term debt and debt maturing within one year) and stockholders' equity. Our capital structure does not include debt issued by our equity method investments. At September 30, 2020, our debt ratio was 44.9%, compared to 45.9% at September 30, 2019 and 44.7% at December 31, 2019. Our net debt ratio was 42.1% at September 30, 2020, compared to 44.1% at September 30, 2019 and 41.4% at December 31, 2019. The debt ratio is affected by the same factors that affect total capital, and reflects our recent debt issuances and repayments and debt acquired in business combinations. In October 2020, with the sale of our stake in Central European Media Enterprises Ltd. (CME), we received relief from a debt guarantee originally covering approximately $1,100 that was reduced to $600 by September 30, 2020.

During the first nine months of 2020, we have received $428 from the disposition of assets, and when combined with working capital monetization initiatives, which include the sale of receivables, total cash received from monetization efforts, net of $1,062 of spectrum acquisitions, was approximately $400. In October 2020, we completed the sale of our stake in CME for approximately $1,100 (see Note 8). We plan to continue to explore similar opportunities in the remainder of 2020.

DISCUSSION AND RECONCILIATION OF NON-GAAP MEASURE

We believe the following measure is relevant and useful information to investors as it is used by management as a method of comparing performance with that of many of our competitors. This supplemental measure should be considered in addition to, but not as a substitute of, our consolidated and segment financial information.

Business Solutions Reconciliation
We provide a supplemental discussion of our Business Solutions operations that is calculated by combining our Mobility and Business Wireline business units, and then adjusting to remove non-business operations. The following table presents a reconciliation of our supplemental Business Solutions results. Results have been recast to conform to the current period's classification.

	Three Months Ended							
	September 30, 2020				September 30, 2019			
	Mobility	**Business Wireline**	**Adjustments[1]**	**Business Solutions**	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating Revenues								
Wireless service	**$ 13,883**	**$ —**	**$ (11,932)**	$ 1,951	$ 13,930	$ —	$ (12,042)	$ 1,888
Strategic and managed services	**—**	**3,967**	**—**	3,967	—	3,900	—	3,900
Legacy voice and data services	**—**	**2,031**	**—**	2,031	—	2,252	—	2,252
Other service and equipment	**—**	**342**	**—**	342	—	351	—	351
Wireless equipment	**4,011**	**—**	**(3,349)**	662	3,771	—	(3,079)	692
Total Operating Revenues	**17,894**	**6,340**	**(15,281)**	8,953	17,701	6,503	(15,121)	9,083
Operating Expenses								
Operations and support	**10,182**	**3,833**	**(8,507)**	5,508	9,948	4,022	(8,325)	5,645
EBITDA	**7,712**	**2,507**	**(6,774)**	3,445	7,753	2,481	(6,796)	3,438
Depreciation and amortization	**2,021**	**1,329**	**(1,700)**	1,650	2,011	1,271	(1,709)	1,573
Total Operating Expenses	**12,203**	**5,162**	**(10,207)**	7,158	11,959	5,293	(10,034)	7,218
Operating Income	**5,691**	**1,178**	**(5,074)**	1,795	5,742	1,210	(5,087)	1,865
Equity in net income (loss) of affiliates	**—**	**—**	**—**	—	—	—	—	—
Operating Contribution	**$ 5,691**	**$ 1,178**	**$ (5,074)**	$ 1,795	$ 5,742	$ 1,210	$ (5,087)	$ 1,865

[1] Non-business wireless reported in the Communications segment under the Mobility business unit.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations- Continued
Dollars in millions except per share amounts

	Nine- Months Ended							
	September 30, 2020				September 30, 2019			
	Mobility	**Business Wireline**	**Adjustments[1]**	**Business Solutions**	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating Revenues								
Wireless service	**$ 41,520**	**$ —**	**$ (35,736)**	**$ 5,784**	$ 41,383	$ —	$ (35,837)	$ 5,546
Strategic and managed services	**—**	**11,789**	**—**	**11,789**	—	11,513	—	11,513
Legacy voice and data services	**—**	**6,227**	**—**	**6,227**	—	6,973	—	6,973
Other service and equipment	**—**	**1,030**	**—**	**1,030**	—	1,102	—	1,102
Wireless equipment	**10,925**	**—**	**(8,968)**	**1,957**	10,973	—	(9,074)	1,899
Total Operating Revenues	**52,445**	**19,046**	**(44,704)**	**26,787**	52,356	19,588	(44,911)	27,033
Operating Expenses								
Operations and support	**29,083**	**11,563**	**(24,004)**	**16,642**	29,511	12,029	(24,769)	16,771
EBITDA	**23,362**	**7,483**	**(20,700)**	**10,145**	22,845	7,559	(20,142)	10,262
Depreciation and amortization	**6,078**	**3,948**	**(5,114)**	**4,912**	6,027	3,735	(5,119)	4,643
Total Operating Expenses	**35,161**	**15,511**	**(29,118)**	**21,554**	35,538	15,764	(29,888)	21,414
Operating Income	**17,284**	**3,535**	**(15,586)**	**5,233**	16,818	3,824	(15,023)	5,619
Equity in net income (loss) of affiliates	**—**	**—**	**—**	**—**	—	—	—	—
Operating Contribution	**$ 17,284**	**$ 3,535**	**$ (15,586)**	**$ 5,233**	$ 16,818	$ 3,824	$ (15,023)	$ 5,619

[1] Non-business wireless reported in the Communications segment under the Mobility business unit.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Dollars in millions except per share amounts

At September 30, 2020, we had no interest rate swaps.

We have fixed-to-fixed and floating-to-fixed cross-currency swaps on foreign currency-denominated debt instruments with a U.S. dollar notional value of $42,969 to hedge our exposure to changes in foreign currency exchange rates. These derivatives have been designated at inception and qualify as cash flow hedges with a net fair value of $(3,922) at September 30, 2020. We had no rate locks at September 30, 2020.

We have foreign exchange contracts with a U.S. dollar notional value of $204 to provide currency at a fixed rate to hedge a portion of the exchange risk involved in foreign currency-denominated transactions. These foreign exchange contracts include fair value hedges, cash flow hedges and economic (nonqualifying) hedges with a total net fair value of $10 at September 30, 2020.

We have designated €1,450 million aggregate principal amount of debt as a hedge of the variability of some of the Euro-denominated net investments of our subsidiaries. The gain or loss on the debt that is designated as, and is effective as, an economic hedge of the net investment in a foreign operation is recorded as a currency translation adjustment within accumulated other comprehensive income, net on the consolidated balance sheet.

Item 4. Controls and Procedures

The registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the registrant is recorded, processed, summarized, accumulated and communicated to its management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. The chief executive officer and chief financial officer have performed an evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of September 30, 2020. Based on that evaluation, the chief executive officer and chief financial officer concluded that the registrant's disclosure controls and procedures were effective as of September 30, 2020.

There have not been any changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Due to the COVID-19 pandemic, most of our corporate employees are working remotely. We continue to monitor and assess the COVID-19 situation on our internal control over financial reporting to address any potential impact on their design and operating effectiveness.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

Information set forth in this report contains forward-looking statements that are subject to risks and uncertainties, and actual results could differ materially. Many of these factors are discussed in more detail in the "Risk Factors" section. We claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

The following factors could cause our future results to differ materially from those expressed in the forward-looking statements:

- The severity, magnitude and duration of the COVID-19 pandemic and containment, mitigation and other measures taken in response, including the potential impacts of these matters on our business and operations.
- Our inability to predict the extent to which the COVID-19 pandemic and related impacts will continue to impact our business operations, financial performance and results of operations.
- Adverse economic, political and/or capital access changes in the markets served by us or in countries in which we have significant investments and/or operations, including the impact on customer demand and our ability and our suppliers' ability to access financial markets at favorable rates and terms.
- Increases in our benefit plans' costs, including increases due to adverse changes in the United States and foreign securities markets, resulting in worse-than-assumed investment returns and discount rates; adverse changes in mortality assumptions; adverse medical cost trends; and unfavorable or delayed implementation or repeal of healthcare legislation, regulations or related court decisions.
- The final outcome of FCC and other federal, state or foreign government agency proceedings (including judicial review, if any, of such proceedings) and legislative efforts involving issues that are important to our business, including, without limitation, pending Notices of Apparent Liability; the transition from legacy technologies to IP-based infrastructure, including the withdrawal of legacy TDM-based services; universal service; broadband deployment; wireless equipment siting regulations and, in particular, siting for 5G service; E911 services; competition policy; privacy; net neutrality; multichannel video programming distributor services and equipment; content licensing and copyright protection; availability of new spectrum on fair and balanced terms; and wireless and satellite license awards and renewals.
- Enactment of additional state, local, federal and/or foreign regulatory and tax laws and regulations, or changes to existing standards and actions by tax agencies and judicial authorities including the resolution of disputes with any taxing jurisdictions, pertaining to our subsidiaries and foreign investments, including laws and regulations that reduce our incentive to invest in our networks, resulting in lower revenue growth and/or higher operating costs.
- Potential changes to the electromagnetic spectrum currently used for broadcast television and satellite distribution being considered by the FCC could negatively impact WarnerMedia's ability to deliver linear network feeds of its domestic cable networks to its affiliates, and in some cases, WarnerMedia's ability to produce high-value news and entertainment programming on location.
- U.S. and foreign laws and regulations regarding intellectual property rights protection and privacy, personal data protection and user consent are complex and rapidly evolving and could result in adverse impacts to our business plans, increased costs, or claims against us that may harm our reputation.
- The ability of our competitors to offer product/service offerings at lower prices due to lower cost structures and regulatory and legislative actions adverse to us, including non-regulation of comparable alternative technologies and/or government-owned or subsidized networks.
- Disruption in our supply chain for a number of reasons, including, difficulties in obtaining export licenses for certain technology, inability to secure component parts, general business disruption, natural disasters, safety issues, economic and political instability and public health emergencies.
- The continued development and delivery of attractive and profitable wireless, video and broadband offerings and devices, and, in particular, the success of our new HBO Max platform; the extent to which regulatory and build-out requirements apply to our offerings; our ability to match speeds offered by our competitors and the availability, cost and/or reliability of the various technologies and/or content required to provide such offerings.
- Our ability to generate advertising revenue from attractive video content, especially from WarnerMedia, in the face of unpredictable and rapidly evolving public viewing habits and legal restrictions on the use of personal data.
- The availability and cost and our ability to adequately fund additional wireless spectrum and network upgrades; and regulations and conditions relating to spectrum use, licensing, obtaining additional spectrum, technical standards and deployment and usage, including network management rules.
- Our ability to manage growth in wireless data services, including network quality and acquisition of adequate spectrum at reasonable costs and terms.
- The outcome of pending, threatened or potential litigation (which includes arbitrations), including, without limitation, patent and product safety claims by or against third parties.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS - continued

- The impact from major equipment or software failures on our networks, including satellites operated by DIRECTV; the effect of security breaches related to the network or customer information; our inability to obtain handsets, equipment/software or have handsets, equipment/software serviced in a timely and cost-effective manner from suppliers; and in the case of satellites launched, timely provisioning of services from vendors; or severe weather conditions including flooding and hurricanes, natural disasters including earthquakes and forest fires, pandemics, energy shortages, wars or terrorist attacks.
- The issuance by the Financial Accounting Standards Board or other accounting oversight bodies of new accounting standards or changes to existing standards.
- Our ability to successfully integrate our WarnerMedia operations, including the ability to manage various businesses in widely dispersed business locations and with decentralized management.
- Changes in our corporate strategies, such as changing network-related requirements or acquisitions and dispositions, which may require significant amounts of cash or stock, to respond to competition and regulatory, legislative and technological developments.
- The uncertainty surrounding further congressional action to address spending reductions, which may result in a significant decrease in government spending and reluctance of businesses and consumers to spend in general.

Readers are cautioned that other factors discussed in this report, although not enumerated here, also could materially affect our future earnings.

PART II – OTHER INFORMATION
Dollars in millions except per share amounts

Item 1A. Risk Factors
We discuss in our Annual Report on Form 10-K various risks that may materially affect our business. We use this section to update this discussion to reflect material developments since our Form 10-K was filed.

Our business is subject to risks arising from the recent outbreak of the COVID-19 virus.

The COVID-19 pandemic and resulting mitigation measures have caused, and may continue to cause, a negative effect on our operating results. To date, mitigation measures have caused sports leagues to suspend certain operations as the cancellation of many sporting events, including the NCAA tournament, which has adversely affected our advertising revenues, may result in contract disputes concerning carriage rights and has caused us to incur expenses relating to certain of these sporting events notwithstanding their cancellation. The closure, or the avoidance, of theaters, and the interruptions in movie production and other programming caused by COVID-19, are expected to impact the timing of revenues and may cause a loss of revenue to our Warner Media business over the long term. The number of subscribers to traditional linear programming in the U.S. has been declining in recent years, a trend that the current pandemic has accelerated, which has negatively affected subscription revenues, and this trend is expected to continue. If the mitigating measures or the associated effects are prolonged, we expect business customers in industries most significantly impacted will continue to reduce or terminate services, having a negative effect on the performance of our Business Wireline business unit. Further, concerns over the COVID-19 pandemic could again result in the prolonged closure of many of our retail stores and deter customers from accessing our stores even as the mitigation measures subside. These pandemic concerns may also result in continued impact to our customers' ability to pay for our products and services. We may also continue to see significant impact on roaming revenues due to a downturn in international travel. The COVID-19 pandemic has caused and could further cause reduced staffing levels at our call centers and field operations resulting in delays in service. Further reductions in staffing levels could further limit our ability to provide services, adversely impacting our competitive position. We may also incur significantly higher expenses attributable to infrastructure investments required to meet higher network utilization from more customers consuming bandwidth from changes in work from home trends; extended cancellation periods; and increased labor costs if the COVID-19 pandemic continues for an extended period.

The COVID-19 pandemic and mitigation measures have caused, and may continue to cause, adverse impacts on global economic conditions and consumer confidence and spending, which affect demand for our products and services. The extent to which the COVID-19 pandemic impacts our business results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact. Due to the speed with which the situation is developing, we are not able at this time to estimate the impact of COVID-19 on our financial or operational results, but the impact could be material.

PART II – OTHER INFORMATION - CONTINUED
Dollars in millions except per share amounts

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) A summary of our repurchases of common stock during the third quarter of 2020 is as follows:

Period	(a) Total Number of Shares (or Units) Purchased[1, 2, 3]	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs[1]	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under The Plans or Programs
July 1, 2020 - July 31, 2020	47,279	$ 29.99	—	177,942,230
August 1, 2020 - August 31, 2020	24,431	29.90	—	177,942,230
September 1, 2020 - September 30, 2020	581,107	28.42	—	177,942,230
Total	652,817	$ 28.59	—	

1 In March 2014, our Board of Directors approved an authorization to repurchase up to 300 million shares of our common stock. The authorization has no expiration date.
2 Of the shares repurchased, 93,333 shares were acquired through the withholding of taxes on the vesting of restricted stock and performance shares or in respect of the exercise price of options.
3 Of the shares repurchased, 559,484 shares were acquired through reimbursements from AT&T maintained Voluntary Employee Benefit Association (VEBA) trusts.

Item 6. Exhibits

The following exhibits are filed or incorporated by reference as a part of this report:

Exhibit Number	Exhibit Description
10.1	Fifth Amended and Restated Limited Liability Company Agreement of AT&T Mobility II LLC
10.2	First Amendment to Amended and Restated Registration Rights Agreement
10.3	AT&T Inc. Health Plan
31	Rule 13a-14(a)/15d-14(a) Certifications
	31.1 Certification of Principal Executive Officer
	31.2 Certification of Principal Financial Officer
32	Section 1350 Certifications
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL: (i) Consolidated Statements of Cash Flows, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Balance Sheets, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AT&T Inc.

November 5, 2020

/s/ John J. Stephens
John J. Stephens
Senior Executive Vice President
and Chief Financial Officer

261635167

FIFTH AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT OF AT&T MOBILITY II LLC

This Fifth Amended and Restated Limited Liability Company Agreement (this "Agreement") is entered into effective as of the date specified herein by and among AT&T Mobility LLC, a Delaware limited liability company ("Mobility"), AT&T Corp, a New York corporation ("AT&T Corp."), SBC Master Pension Trust ("Trust"), BellSouth Mobile Data, Inc., a Georgia corporation ("BSMD") and the entities listed on the signature page hereto under the heading "Investor Funds" ("Investor Funds"), as the members (the "Members"), and AT&T Mobility Corporation, a Delaware corporation, as the manager (the "Manager") of AT&T Mobility II LLC (f/k/a Cingular Wireless II LLC) (the "Company"), which has been formed as a limited liability company pursuant to the Delaware Limited Liability Company Act (6 Del. C. § 18 101, et seq.) (the "Act") upon the following terms and conditions.

WHEREAS, New Cingular Wireless Services, Inc., a Delaware corporation ("NCWS"), Mobility, BSMD and Manager were parties to an Amended and Restated Limited Liability Company Agreement of the Company with an effective date of January 16, 2008, and that certain First Amendment to the Amended and Restated Limited Liability Company Agreement of the Company dated August 25, 2009;

WHEREAS, on January 1, 2010, Centennial Cellular Operating Co LLC ("CCOC") contributed certain assets to Mobility II in exchange for a 1.2721165% interest in Mobility II and at such time, and in connection with such contribution, the assets of Mobility II were revalued;

WHEREAS, on July 1, 2010, CCOC merged with Centennial Communications Corp., a Delaware corporation ("Centennial") and as a result of such merger, the Mobility II interest held by CCOC was transferred to Centennial and Centennial was admitted as a member of the Company;

WHEREAS, on September 9, 2013, the then existing membership interests in the Company were recapitalized into Common Interests (defined below);

WHEREAS, on September 9, 2013, AT&T Inc. contributed a promissory note to the Company (the "Series A Contribution") pursuant to a Contribution, Assignment and Assumption Agreement, dated as of August 30, 2013 (as amended and restated on October 15, 2018, the "Contribution Agreement") in exchange for 320,000,000 Series A Preferred Interests (defined below) and the Amended and Restated Agreement was amended and restated and superseded by the Second Amended and Restated Limited Liability Company Agreement (the "Second Amended and Restated Agreement") to provide, among other things, for the issuance of the Series A Preferred Interests to AT&T Inc.;

WHEREAS, on September 9, 2013, AT&T Inc. contributed 320,000,000 Series A Preferred Interests in the Company to the Trust and the Trust was admitted as a member of the

Company and the Second Amended and Restated Limited Liability Company Agreement was amended and restated and superseded by the Third Amended and Restated Limited Liability Company Agreement (the "Third Amended and Restated Agreement");

WHEREAS, on January 1, 2016, Centennial merged with AT&T Corp. and as a result of such merger, the Company interest held by Centennial was transferred to AT&T Corp. by operation of law, and AT&T Corp. was admitted as a member of the Company;

WHEREAS, on May 31, 2017, the Company redeemed a portion of the Common Interests in the Company from NCWS and Mobility;

WHEREAS, on October 15, 2018, the Third Amended and Restated Limited Liability Company Agreement as amended, was amended and restated and superseded by the Fourth Amended and Restated Limited Liability Company Agreement (the "Fourth Amended and Restated Agreement"), to provide, among other things, additional rights with respect to any transferee of the Series A Preferred Interests;

WHEREAS, on October 23, 2018, the Fourth Amended and Restated Agreement was amended to correct a scrivener's error with respect to Schedule A (the "First Amendment");

WHEREAS, on January 1, 2019, NCWS made a capital contribution to Mobility consisting of all of its outstanding membership interests of the Company (the "NCWS Contribution"), and the Fourth Amended and Restated Agreement was amended to reflect the new Percentage Interest of the Members (the "Second Amendment");

WHEREAS, on August 29, 2019, the Fourth Amended and Restated Agreement was amended to address and satisfy certain requirements, conditions and guidelines contained in the Bipartisan Budget Act of 2015 (the "Third Amendment")

WHEREAS, effective January 1, 2019, the Fourth Amended and Restated Agreement was amended to update the final Percentage Interests of the Members resulting from the NCWS Contribution based on the final valuation of the contributed interests (the "Fourth Amendment");

WHEREAS, the Members and the Manager desire to amend and restate the Fourth Amended and Restated Agreement as amended, to among other things, admit Investor Funds as members of the Company and otherwise replace the Fourth Amended and Restated Agreement and First through Fourth Amendments thereof with this Agreement.

NOW, THEREFORE, in consideration of the premises, and the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

1. Certain Definitions. For the purposes of this Agreement, the following terms shall have the following meanings:

"Act" has the meaning set forth in the Recitals.

"Adjusted Capital Account Balance" means, with respect to any Member as of the date of any determination, the balance in such Member's Capital Account at such time, after such balance is:

(a) Increased by any amounts that such Member is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)*(c)* (taking into account the extent to which the Member bears the economic risk of loss for Company liabilities (other than Member Nonrecourse Debt) as determined in accordance with Code Section 704(b) and the Treasury Regulations thereunder and Treasury Regulation Section 1.752-2) or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5); and

(b) Decreased by the amount of the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)*(d)(4),* 1.704-1(b)(2)(ii)*(d)(5)* and 1.704-1(b)(2)(ii)*(d)(6)*.

The foregoing definition of Adjusted Capital Account Balance is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)*(d)* and shall be interpreted consistently therewith.

"Adjusted Capital Account Deficit" means, with respect to each Member, the deficit balance, if any, of such Member's Adjusted Capital Account Balance as of the end of the relevant Allocation Period.

"Adjusted K-1 Election" means an election made by the Company in accordance with Section 6226 of the Code.

"Agreement" has the meaning set forth in the Recitals.

"Allocation Period" means (a) any period commencing on January 1 and ending on the following December 31 or (b) any portion of the period described in clause (a) for which the Company is required to allocate Net Income, Net Loss and other items of Company income, gain, loss or deduction pursuant to Section 14.

"AT&T Common Stock" means the common stock, $1.00 par value per share, of AT&T Inc. and any successor equity securities issued in lieu thereof by any successor of AT&T Inc.

"AT&T Corp." has the meaning set forth in the Recitals.

"AT&T Shares" means AT&T Inc. Common Stock that may become deliverable pursuant to Section 8(e)(iii) of this Agreement.

"AT&T Inc.'s Debt-to-Total-Capitalization Ratio" means AT&T Inc.'s Debt divided by the sum of AT&T Inc.'s Debt and total shareholders' equity (as taken directly from AT&T Inc.'s most recently prepared US GAAP balance sheet).

"BBA" means the Bipartisan Budget Act of 2015, as amended from time to time. All references herein to sections of the BBA shall include any corresponding provision or provisions of succeeding law.

"BSMD" has the meaning set forth in the Recitals.

"Business Day" means any day other than a Saturday, Sunday, federal holiday or a day on which banks in The City of New York are authorized or obligated by law to close.

"Capital Account" means the account established and maintained for each Member on the books of the Company pursuant to Section 15, as said Capital Account may be increased or decreased from time to time. Any reference to Capital Account of a Member shall include the Capital Account of a predecessor holder of the interest of the Member, or a proportionate share of that Capital Account if the Member has succeeded to less than all of the predecessor's interest.

"Capital Contribution" means, with respect to any Member, the amount by which (a) the aggregate amount of money and the initial Carrying Value of any property (other than money) contributed to the Company by such Member (or its predecessors in interest) with respect to the LLC Interest in the Company held by such Member exceeds (b) the initial Carrying Value of any liabilities to which such contributed property is subject or that are assumed from such Member in connection with such contribution.

"Carrying Value" means, with respect to any Company asset or liability (which shall include, for purposes of this Agreement, the Company's interest in any asset or liability owned through one or more partnerships) as of the date of any determination, the value at which the asset or liability is properly reflected on the books and records of the Company as of such date in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv) as follows:

(a) The initial Carrying Value of any asset or liability contributed or transferred by a Member to the Company shall be the fair market value of such asset or liability as agreed to by the transferring Member and the Manager;

(b) The Carrying Values of all Company assets and liabilities shall, except as otherwise provided herein, be adjusted to equal their respective Fair Market Values immediately prior to the following events: (i) immediately prior to a contribution to the Company of more than a de minimis amount of cash or other property, or a Member's assumption of more than a de minimis amount of Company liabilities, in exchange for an interest in the Company, the issuance of an interest (other than a de minimis interest) in the Company in consideration of the performance of services, or the issuance of a Noncompensatory Option (other than an option for a de minimis interest); (ii) the distribution by the Company to a Member of more than a de minimis amount of money or other property in retirement of all or any portion of its LLC Interest; (iii) the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g); and (iv) any other event to the extent determined by the Manager to be permitted and necessary to properly reflect Carrying Values in accordance with the standards set forth

in Treasury Regulation Section 1.704-1(b)(2)(iv); provided, however, that in the event of the issuance of an interest in the Company pursuant to the exercise of a Noncompensatory Option where the right to share in Company capital represented by such LLC Interest differs from the consideration paid to acquire and exercise such option, the Carrying Value of each Company property immediately after the issuance of such LLC Interest shall be adjusted upward or downward in a manner consistent with Treasury Regulation Section 1.704-1(b)(2)(iv)(s);

(c) The Carrying Value of any Company asset distributed to any Member or any Company Liability assumed or taken subject to by any Member shall, except as otherwise provided herein, be the Fair Market Value of such asset (or, in the case of cash, shall be its face amount) or liability as of the date of such distribution or assumption;

(d) The Carrying Values of Company assets shall, except as otherwise provided herein, be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)*(m)* and subparagraph (f) of the definition of "Net Income" and "Net Loss" or Section 14(c)(vii); provided, however, that Carrying Values shall only be adjusted pursuant to this subparagraph (d) to the extent that the adjustment would be allowable under Treasury Regulation Section 1.7041(b)(2)(iv)*(m)(5)* after taking into account any adjustment to Carrying Value required pursuant to subparagraph (b) as a result of the same transaction that would otherwise result in an adjustment pursuant to this subparagraph (d);

(e) If the Carrying Value of a Company asset has been determined or adjusted pursuant to subparagraph (a), (b), or (d) or Section 15, such Carrying Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of the allocations made pursuant to Section 14; and

(f) If the Carrying Value of a Company Liability has been determined or adjusted pursuant to subparagraph (a) or (b) or Section 15, such Carrying Value shall thereafter be adjusted based on the method adopted under subparagraph (e) of the definition of "Net Income" and "Net Loss" to determine the extent to which the Carrying Value of such liability is treated as satisfied or otherwise taken into account.

"Change of Control" means the occurrence of any merger, reorganization or other transaction that results in AT&T Inc., directly or indirectly, owning less than fifty percent of the capital or profits interests (where the Company remains taxable as a partnership), or equity (if the Company becomes taxable as a corporation), of the Company exclusive of the Series A Preferred Interests.

"Code" means the Internal Revenue Code of 1986 (as amended from time to time, or any successor statute).

"Common Interests" means the common membership interests of the Company, having the powers, preferences, rights, qualifications, limitations and restrictions set forth in Section 7(b) of this Agreement.

"Common Percentage Interest" of a Member holding Common Interests means such Member's aggregate Common Interests' economic percentage interest in the Company as determined by dividing the Common Interests of such Member by the total Common Interests of all Members, as set forth on **Schedule A** and as may be adjusted from time to time.

"Communications Laws" has the meaning set forth in Section 10(d).

"Company" has the meaning set forth in the Recitals.

"Company's Debt-to-Total-Capitalization Ratio" means the Company's Debt divided by the sum of the Company's Debt and total members' equity including outstanding Series A Preferred Interests (as taken directly from the Company's most recently prepared US GAAP balance sheet).

"Company Liability" means any Obligation of the Company.

"Contingent Event" means an event described in Section 8(e)(i)(a), (b) or (c).

"Contribution Agreement" has the meaning set forth in the Recitals.

"Debt" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, and (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments.

"Depreciation" means, for each Allocation Period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Allocation Period, except that (a) with respect to any asset whose Carrying Value differs from its adjusted tax basis for United States federal income tax purposes and which difference is being eliminated by use of the "remedial method" defined by Treasury Regulation Section 1.704-3(d), Depreciation for such Allocation Period shall be the amount of book basis recovered for such Allocation Period under the rules prescribed by Treasury Regulation Section 1.704-3(d)(2) and (b) with respect to any other asset whose Carrying Value differs from its adjusted basis for federal income tax purposes at the beginning of such Allocation Period, Depreciation shall be an amount which bears the same ratio to such beginning Carrying Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Allocation Period bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Allocation Period is zero, Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected by the Manager.

"Designated Individual" has the meaning set forth in Section 20(h).

"Distribution Payment Date" has the meaning set forth in Section 16(a)(i).

"Distribution Period" has the meaning set forth in Section 16(a)(i).

"Effective Time" means the time specified in Section 3.

"Fair Market Value" means (a) as of the date of any revaluation of Company property in accordance with Section 15, the fair market value of each Company asset and liability and (b) as of the date of any distribution of Company property or a Member's assumption or taking subject to a Company Liability, the fair market value of each Company asset or liability, in each case as determined reasonably and in good faith by the Manager using such reasonable methods of valuation as it may adopt; provided, however, that if at the time of any revaluation of Company property in accordance with Section 15, the Company has an outstanding Noncompensatory Option, the fair market value of Company property shall be adjusted as provided in Treasury Regulation Section 1.704-1(b)(2)(iv)*(h)(2)*.

"FCC" means the U.S. Federal Communications Commission.

"First Amendment" has the meaning set forth in the Recitals.

"Fourth Amended and Restated Agreement" has the meaning set forth in the Recitals.

"Fourth Amendment" has the meaning set forth in the Recitals.

"Guaranteed Payment Amount" of a particular Series A Preferred Return quarterly amount means an amount equal to (a) the Series A Preferred Return quarterly amount less (b) the Series A Preferred Interest Return of Capital Amount for such Series A Preferred Return quarterly amount, and such amount shall be treated as a guaranteed payment within the meaning of section 707(c) of the Code.

"IRS" has the meaning set forth in Section 20(a).

"Indemnified Party" has the meaning set forth in Section 24(b)(v).

"Liquidation Amount of the Series A Preferred Interests" means $25.00 per Series A Preferred Interest.

"Liquidation Preference" means the Liquidation Amount of the Series A Preferred Interests, *plus* the Unpaid Series A Preferred Interest Return of Capital Amount, *plus* any accrued but unpaid Series A Preferred Return.

"LLC Interest" means a Member's entire limited liability company interest in the Company at any particular time, evidenced by Common Interests and Series A Preferred Interests.

"Manager" has the meaning set forth in the Recitals.

"Media Company" means any company subject to the FCC's Media Ownership rules, 47 C.F.R. § 73.555.

"Members" means those Persons executing this Agreement as Members of the Company, including any substitute Members or additional Members, in each such person's capacity as a Member of the Company.

"Member Nonrecourse Deductions" has the same meaning as the term "partner nonrecourse deductions" in Treasury Regulation Sections 1.704-2(i)(1) and 1.704-2(i)(2).

"Member Nonrecourse Debt" has the same meaning as the term "partner nonrecourse debt" in Treasury Regulation Section 1.704-2(b)(4).

"Member Nonrecourse Debt Minimum Gain" means an amount, with respect to each Member Nonrecourse Debt, equal to the Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Treasury Regulation Section 1.704-2(i)(3).

"Minimum Gain" has the meaning given the term "partnership minimum gain" in Treasury Regulation Sections 1.704-2(b)(2) and 1.704-2(d).

"Mobility" has the meaning set forth in the Recitals.

"NCWS" has the meaning set forth in the Recitals.

"Net Income" and "Net Loss" mean, for each Allocation Period, an amount equal to the Company's taxable income or loss for such Allocation Period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Net Income" and "Net Loss" shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)*(i)*, and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition of "Net Income" and "Net Loss" shall be subtracted from such taxable income or loss;

(c) Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Carrying Value of such property, notwithstanding that the adjusted tax basis of such property differs from its Carrying Value;

(d) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Allocation Period, computed in accordance with the definition of "Depreciation;"

(e) Income, gain, deduction or loss resulting from the satisfaction or accrual for federal income tax purposes of a Company Liability with a Carrying Value that differs from its adjusted issue price (if any) shall be computed by reference to the Carrying Value of such liability, with the extent to which the Carrying Value of such liability is treated as satisfied or otherwise taken into account being determined under any reasonable method adopted by the Manager; and

(f) Notwithstanding anything to the contrary in subparagraphs (a) through (e) above, any items which are specially allocated pursuant to Section 14(c) or (d) shall not be taken into account in computing Net Income or Net Loss.

The amounts of the items of Company income, gain, loss or deduction available to be specially allocated pursuant to Section 14 shall be determined by applying rules analogous to those set forth in subparagraphs (a) through (e) above.

"Noncompensatory Option" has the meaning set forth in Treasury Regulation Section 1.721-1(f).

"Nonrecourse Deductions" has the meaning set forth in Treasury Regulation Sections 1.704-2(b)(1) and 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(3).

"Obligation" has the meaning assigned to that term in Treasury Regulation Section 1.752-1(a)(4)(ii).

"Option Price" means, for each Series A Preferred Interest, the greater of.

(a) the fair market value of the Series A Preferred Interest as of the last date of the calendar quarter preceding the date of exercise of a Redemption Option or a Put Option, as the case may be or, for the portion of the Series A Preferred Interests that cannot be purchased due to the Put 12-Month Cap, the fair market value of the Series A Preferred Interest as of the last date of the calendar quarter immediately preceding the date such portion of the Series A Preferred Interest is actually redeemed by the Company, and

(b) the Liquidation Amount of the Series A Preferred Interests plus any accrued and unpaid distributions.

For purposes of the foregoing, "the fair market value of the Series A Preferred Interest" means:

(x) in cases of exercise of the Put Option on or after September 9, 2020 (other than an exercise prior to September 9, 2022 as the result of a Contingent Event) OR upon exercise of the Redemption Option on or after September 9, 2022, an amount determined based upon the Liquidation Amount of the Series A Preferred Interests plus any accrued and unpaid distributions and market conditions at the time, and

(y) in cases of exercise of the Put Option prior to September 9, 2022 as the result of a Contingent Event OR upon exercise of the Redemption Option prior to September 9, 2022, an amount determined based upon the sum of:

(i) the Liquidation Amount of the Series A Preferred Interests plus any accrued and unpaid distributions, and

(ii) the present value of future distributions (excluding accrued and unpaid distributions accounted for in (i) immediately above) through and ending on September 9, 2022.

The independent fiduciary with respect to Series A Preferred Interests held by the SBC Master Pension Trust shall determine "the fair market value of the Series A Preferred Interests" with respect to Series A Preferred Interests held by the SBC Master Pension Trust.

"Publicly Traded Partnership" means a "publicly traded partnership" within the meaning of Section 7704(b) of the Code.

"Partnership Audit Procedures" has the meaning set forth in Section 20(f).

"Partnership Representative" means the "tax matters partner" within the meaning of Section 6231(a)(7) of the Code (to the extent applicable for taxable years beginning before January 1, 2018) and the "partnership representative" as defined in Section 6223 of the Code, as amended by the BBA, for any tax period subject to the provisions of Section 6223 of the Code.

"Person" means any natural person, partnership (whether general or limited), trust, estate, association, corporation, custodian, nominee or any other individual or entity in its own or any representative capacity, in each case, whether domestic or foreign, or a limited liability company or foreign limited liability company.

"Plan" means the AT&T Pension Benefit Plan.

"Public Indebtedness" means the Cingular Wireless LLC 7.125% Senior Notes, due December 2031 in the principal amount of $510 million; and the AT&T Wireless Services, Inc. 8.75% Senior Notes, due March 2031 in the principal amount of $896 million.

"Put 12-Month Cap" has the meaning set forth in Section 8(e)(i).

"Put Option" has the meaning set forth in Section 8(e)(i).

"Put Option Period" means any period, from time to time, after the Put Option becomes exercisable hereunder, beginning on the 15th Business Day prior to the end of each fiscal quarter of AT&T Inc. and ending on the 15th Business Day of the subsequent fiscal quarter of AT&T Inc.

"Redemption Option" has the meaning set forth in Section 8(e)(ii).

"Redemption Period" means the period, from time to time, after the Redemption Option becomes exercisable hereunder, beginning on the 26th Business Day of each fiscal quarter of AT&T Inc. and ending on the 35th Business Day of each fiscal quarter of AT&T Inc.

"Registration Rights Agreement" means the Amended and Restated Registration Rights Agreement dated October 15, 2018 among AT&T Inc., Brock Fiduciary Services LLC and the Trust, as may be amended or modified from time to time.

"Second Amended and Restated Agreement" has the meaning set forth in the Recitals.

"Second Amendment" has the meaning set forth in the Recitals.

"Series A Contribution" has the meaning set forth in the Recitals.

"Series A Preferred Interest Return of Capital Amount" means, with respect to each Series A Preferred Interest, (a) for each quarter in the first five (5) years following the issuance of the Series A Preferred Interests an amount equal to the quotient where (i) the difference between (A) the Capital Contribution of the Series A Preferred Interest and (B) the Liquidation Amount of the Series A Preferred Interest is the numerator and (ii) twenty (20) is the denominator, and (b) in all other years zero.

"Series A Preferred Interests" means the series A cumulative perpetual preferred membership interests, having the powers, preferences, rights, qualifications, limitations and restrictions set forth in Section 7(c) of this Agreement.

"Series A Preferred Return" means, with respect to each Series A Preferred Interest, a distribution of $1.75 per annum, payable quarterly. A portion of the Series A Preferred Return shall be treated as the Guaranteed Payment Amount and a portion of the Series A Preferred Return shall be treated as the Series A Preferred Interest Return of Capital Amount.

"Small Partnership Election" means an election made by the Company in accordance with Section 6221(b) of the Code to have the Partnership Audit Procedures (as defined below) not apply to the Company.

"Special Rights" means, with respect to any Series A Preferred Interests, the rights set forth in Section 7(c), Section 8 and Section 23 of this Agreement as applicable to such interests.

"Third Amended and Restated Agreement" has the meaning set forth in the Recitals.

"Third Amendment" has the meaning set forth in the Recitals.

"Transfer" means (a) when used as a verb, to give, sell, exchange, assign, transfer, pledge, hypothecate, bequeath, devise or otherwise dispose of or encumber, and (b) when used as a noun, the nouns corresponding to such verbs, in either case voluntarily or involuntarily, by operation of law or otherwise.

"Transferred Interests" has the meaning set forth in Section 14(f)(v).

"Treasury Regulations" means the Income Tax Treasury Regulations, including Temporary Treasury Regulations, promulgated under the Code, as such regulations are amended, modified or supplemented from time to time.

"Trust" has the meaning set forth in the Recitals.

"Unpaid Series A Preferred Interest Return of Capital Amount" means, with respect to each Series A Preferred Interest, an amount equal to (a) the Capital Contribution of the Series A Preferred Interest, *minus* (b) the Liquidation Amount of the Series A Preferred Interest, *minus* (c) payments of the Series A Preferred Return treated as the Series A Preferred Interest Return of Capital Amount of the Series A Preferred Interest.

"Unrealized Gain" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the Fair Market Value of such property as of such date over (b) the Carrying Value of such property as of such date. With respect to any Company Liability, Unrealized Gain shall mean, as of any date of determination, the excess, if any, of (a) the Carrying Value of such liability as of such date, over (b) the Fair Market Value of such liability as of such date.

"Unrealized Loss" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date, over (b) the Fair Market Value of such property as of such date. With respect to any Company Liability, Unrealized Loss shall mean, as of any date of determination, the excess, if any, of (a) the Fair Market Value of such liability as of such date over (b) the Carrying Value of such liability as of such date.

2. Name. The name of the limited liability company formed hereby is AT&T Mobility II LLC. The Company may do business under that name or any other name approved by the Manager.

3. Effectiveness. This Agreement shall, upon the execution by all parties hereto, be fully effective on September 28, 2020.

4. Termination of Limited Liability Company Agreement. All prior limited liability company agreements of the Company are hereby terminated and superseded in its or their entirety by this Agreement.

5. Registered Office. The address of the registered office of the Company in the State of Delaware is 1209 Orange Avenue, Wilmington, Delaware 19801.

6. Registered Agent. The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware is CT Corporation, 1209 Orange Avenue, Wilmington, Delaware 19801.

7. Capital Structure.

(a) General. Subject to the terms of this Agreement, (i) the Company is authorized to issue equity interests in the Company designated as "LLC Interests," which shall constitute limited liability company interests under the Act and shall include initially Common Interests and Series A Preferred Interests and (ii) the Manager is expressly authorized, by resolution or resolutions, to create and to issue, out of authorized but unissued LLC Interests, different classes, groups or series of LLC Interests and fix for each such class, group or series such voting powers, full or limited or no voting powers, and such distinctive designations, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions as determined by the Manager. The Manager shall have the authority to issue such number of LLC Interests of any class, series or tranche pursuant to clauses (i) and (ii) of the immediately preceding sentence as the Manager shall from time to time determine. Other than as set forth in this Agreement, or in the instruments governing the terms of the LLC Interests issued pursuant to clause (ii), each LLC Interest shall be identical in all respects with each other LLC Interest.

(b) Common Interests. The Common Interests shall have such rights to allocations and distributions as may be authorized and set forth under this Agreement. The relative rights, powers, preferences, duties, liabilities and obligations of holders of the Common Interests shall be as set forth herein. Each holder of Common Interests shall be entitled to vote, in person or by proxy, or to act by written consent, on the basis of its Common Percentage Interest on all matters upon which Members have the right to vote, give approval or take other actions as set forth in this Agreement and provided under the Act. All approvals to be given and other actions to be taken by the holders of Common Interests pursuant to this Agreement and the Act (whether by vote at a meeting or written consent) may be granted or taken by the holders of Common Interests representing a majority in Common Percentage Interest.

(c) Series A Preferred Interests. The Series A Preferred Interests shall have such rights to allocations and distributions as may be authorized and set forth in this Agreement. The Series A Preferred Interests shall rank senior to any other class or series of equity interests in the Company in respect of the right to receive distributions and the right to receive payments or distributions out of the assets of the Company, upon voluntary or involuntary liquidation, dissolution or winding up of the Company, all as provided in Section 16 hereof. The Series A Preferred Interests shall not have any voting power. Accordingly, but subject to Section 23, no

holder of Series A Preferred Interests shall have any voting rights (or other approval rights) with respect to their interest in the Company or as to any other matter (whether under this Agreement or the Act) as a result of holding the Series A Preferred Interests.

(d) Certificates; Legend. In the sole discretion of the Manager, the issued and outstanding LLC Interests may be represented by certificates. In addition to any other legend required with respect to a particular class, group or series of LLC Interests or pursuant to any other agreement between any one or more Members and the Company, each such certificate shall bear the following legend:

> THE LLC INTERESTS REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A FIFTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT AMONG THE COMPANY AND ITS MEMBERS, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE LLC INTERESTS REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH FIFTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT.
>
> THE LLC INTERESTS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT EFFECTIVE UNDER SUCH ACT AND LAWS, OR (B) PURSUANT TO AN EXEMPTION FROM REGISTRATION THEREUNDER.

Any LLC Interests issued in uncertificated form may be subject to similar restrictive notations on the relevant books and records of the Company or its transfer agent.

(e) Opt-in to Article 8 of the Uniform Commercial Code. The Members agree that the LLC Interests may be evidenced by certificates executed by the Manager of the Company and that the LLC Interests shall be securities governed by Article 8 of the Uniform Commercial Code of the State of Delaware (and the Uniform Commercial Code of any other applicable jurisdiction).

8. Transfers of LLC Interests.

(a) General Restrictions.

(i)No Member may Transfer all or any part of such Member’s LLC Interest, except as provided in this Section 8. Any purported Transfer of an LLC Interest or a

portion thereof in violation of the terms of this Agreement shall be null and void and of no effect. A permitted Transfer shall be effective as of the date specified in the instruments relating thereto. Any transferee desiring to make a further Transfer shall become subject to all the provisions of this Section 8 to the same extent and in the same manner as any Member desiring to make any Transfer.

(ii)A person shall cease to be a Member upon transfer of ownership of all such Member's LLC Interest.

(b) Permitted Transfers.

a. Except as otherwise provided in this Section 8(b), each Member holding Series A Preferred Interests shall have the right to Transfer (but not to substitute the transferee as a substitute Member in such Member's place, except in accordance with Section 8(c)), by a written instrument, all or any part of such Member's Series A Preferred Interests, if, and only if: (1) the Manager determines in advance that the Transfer will comply with the registration requirements of the Securities Act of 1933 and any applicable state or other securities laws (including any exemption therefrom); (2) the Manager determines in advance that the Transfer will not cause the Company to become a Publicly Traded Partnership; and (3) if such Transfer consists of the transfer of ownership of any Series A Preferred Interest (A) the transferee has executed an instrument accepting and adopting the terms and provisions of the Certificate and this Agreement; (B) the transferee has executed and become a party to the Registration Rights Agreement; and (C) the transferee has caused to be paid all reasonable expenses of the Company in connection with the admission of the transferee as a substitute Member. In making the determinations referenced in the prior sentence, the Manager may require the proposed transferor, the proposed transferee or others to provide such evidence of compliance with the registration requirements referenced above, including an opinion of counsel, certificates or other documentation, as it may reasonably request.

b. Except as otherwise provided in this Section 8(b), each Member holding Common Interests shall have the right to Transfer (but not to substitute the transferee as a substitute Member in such Member's place, except in accordance with Section 8(c)), by a written instrument, all or any part of such Member's Common Interests, if, and only if: (1) the Manager has given its prior approval, which may be withheld in its sole discretion for any reason or no reason, and (2) if such Transfer is a transfer of ownership of any Common Interest, (A) the transferee has executed an instrument accepting and adopting the terms and provisions of the Certificate and this Agreement; and (B) the transferee has caused to be paid all reasonable expenses of the Company in connection with the admission of the transferee as a substitute Member.

c. No Transfer of an LLC Interest shall be effective or reflected on the books and records of the Company or its transfer agent except in accordance with this Section 8.

i. Substitute Member. No transferee of ownership all or part of a Member's LLC Interest shall become a substitute Member in place of the transferor unless and until the terms of Section 8(b) are satisfied. Upon satisfaction of all the foregoing conditions with respect to a particular transferee, the Manager shall cause the books and records of the Company to reflect the admission of the transferee as a substitute Member to the extent of the Transferred LLC Interest owned by the transferee.

ii. Effect of Admission as a Substitute Member. A transferee who has become a substitute Member has, to the extent of the transferred LLC Interest, all the rights, powers and benefits of and is subject to the restrictions and liabilities of a Member under the Certificate, this Agreement, the Act and, in the case of a transferee of Series A Preferred Interests, the Registration Rights Agreement. Upon admission of a transferee as a substitute Member, the transferor of the LLC Interest so acquired by the substitute Member shall cease to be a Member of the Company to the extent of such transferred LLC Interest.

iii. Put Option and Redemption Option.

d. The Company hereby grants to the holders of Series A Preferred Interests the right to require the Company to purchase the Series A Preferred Interests (the "Put Option"), at a price per Series A Preferred Interest equal to the Option Price, at any time and from time to time on or after the earliest of (a) the first date that the Company's Debt-to-Total-Capitalization Ratio exceeds that of AT&T Inc., (b) the date on which AT&T Inc. is rated below investment grade for two consecutive calendar quarters by at least two of the following rating agencies: (x) Standard & Poor's, (y) Moody's, or (z) Fitch Group, (c) a Change of Control, or (d) September 9, 2020; provided, however, that except in the event of a Change of Control, the Company shall not be required to purchase more than 106,666,667 Series A Preferred Interests in any twelve-month period (the "Put 12-Month Cap"). Upon the request of a holder of Series A Preferred Interests, as of the end of any calendar quarter, the Company shall, within forty-five (45) calendar days after the end of such calendar quarter, certify as to whether the Company's Debt-to-Total-Capitalization ratio exceeds that of AT&T Inc. A purchase of Series A Preferred Interests pursuant to Section 8 of the Contribution Agreement shall be treated as a purchase by the Company for purposes of determining whether or not the Put 12-Month Cap has been met for a given twelve-month period. In the event of an exercise pursuant to clause (d) above, the Put Option may only be exercised upon written notice to the Company during a Put Option Period, specifying the name of the holder of Series A Preferred Interests, number of Series A Preferred Interests to be purchased by the Company (subject to the limitation in the proviso in the previous sentence) and the time and place of the closing of the Put Option.

e. The Company has the right to purchase from the holders of the Series A Preferred Interests, all or any portion of the Series A Preferred Interests (the "Redemption Option"), at a price per Series A Preferred Interest equal to the Option Price, at any time and from time to time (1) upon a Change of Control or (2) on or after September 9, 2022. In the event of an exercise pursuant to clause (2) above, the

Redemption Option may only be exercised upon written notice to the holder(s) of Series A Preferred Interests during a Redemption Period, specifying the number of Series A Preferred Interests to be purchased by the Company and the time and place of the closing of the Redemption Option.

f. At the sole election of the Company, payment of the Option Price may be made in (a) fully paid and non-assessable AT&T Shares, (b) cash, or (c) any combination of AT&T Shares and cash as the Company shall determine. Any AT&T Shares delivered to satisfy all or a portion of the Option Price shall be valued at the average closing price of the 20 trading days preceding the date of the applicable notice of exercise (A) by the holder(s) of Series A Preferred interests (in the case of exercise of a Put Option) or (B) by the Company (in the case of exercise of a Redemption Option). In the event there are two or more holders Series A Preferred Interests, then (x) in the event less than all of the Series A Preferred Interests are to be purchased by the Company, the Company shall repurchase from each such holder its pro rata portion of Series A Preferred Interests (based on the total number of Series A Preferred Interests held by all such holders) and (y) in the event the Company elects to pay the Option Price in a combination of AT&T Shares (including in any election effected under subsection (iv) of this Section 8(e)), then the relative proportion of cash and AT&T Shares shall be the same for all such holders Series A Preferred Interests to the nearest extent practicable, unless otherwise agreed in writing by the Company and any holder(s) who agree to accept a different proportion.

g. Notwithstanding anything herein to the contrary, in no event shall the Company be required to deliver more than 250 million AT&T Shares (the "Capped Number") to the holder(s) of Series A Preferred interests in settlement of the Option Price for the Series A Preferred Interests; provided, however, the Company may, in its sole and absolute discretion (subject to the last sentence of this Section 8(e)(iv)), deliver more than the Capped Number of AT&T Shares. In the event the Company, through delivery of the Capped Number of AT&T Shares and AT&T Shares in addition to the Capped Number of AT&T Shares, if any, shall not have delivered the full number of AT&T Shares otherwise deliverable in settlement of the Option Price for the Series A Preferred Interests, the Company will use its best efforts to acquire and deliver additional AT&T Shares. The Company may elect, solely at its option, to settle the Option Price, in whole or in part, by delivering cash. In the event of a merger, reorganization, consolidation, recapitalization, separation, split-up, liquidation, share combination, stock split, stock dividend, or other change in the corporate structure of AT&T Inc. affecting the AT&T Shares (including a conversion of the AT&T Shares into cash or other property), an adjustment may be made in the number and class of shares that may be delivered in settlement of the Option Price for the Series A Preferred Interests, as determined by the Company to prevent dilution or accretion with respect to the Capped Number and reflect such changes in corporate structure (e.g., substitution of successor shares). In the event the Company, through delivery of the Capped Number of AT&T Shares and AT&T Shares in addition to the Capped Number of AT&T Shares, if any, shall not have delivered the full number of AT&T Shares otherwise deliverable in settlement of the

Option Price for the Series A Preferred Interests (resulting in a shortfall), the Series A Preferred Interests for which neither AT&T Shares nor cash have been delivered shall remain outstanding, in accordance with their terms.

iv. Private Placement. In the event the holder of Series A Preferred Interests desires to Transfer some or all of the Series A Preferred Interests pursuant to a private placement offering, the Company shall use its reasonable best efforts to cooperate with such private placement. In the event of a private placement offering of the Series A Preferred Interests, the following shall apply:

h. The Company shall select the investment banking firm that will conduct each such private placement offering;

i. The Company shall provide the financial information, document preparation and other support required for such private placement offering of the Series A Preferred Interests to the holders of the Series A Preferred Interests and/or to the investment bank on a timely basis; and

j. The Company shall bear all usual and customary costs associated with such private placement offering, including reasonable fees and expenses of investment banking firms, legal counsel for the Company and holders of the Series A Preferred Interests and, if required, auditors in connection therewith.

v. Publicly Traded Partnership Status. No Member holding Series A Preferred Interests is or will become a partnership, grantor trust, or "S corporation" (within the meaning of Section 1361(a) of the Code) for U.S. federal income tax purposes, in each case, without the prior written consent of the Manager.

9. Members. The name of and LLC Interest held by each of the Members holding Common Interests and Series A Preferred Interests as of the Effective Time are set forth on **Schedule A** attached hereto. To the extent any additional or substitute Members are hereafter admitted to the Company or the respective relative Common Percentage Interests are adjusted as a result of the issuance of additional LLC Interests or the redemption of LLC Interests, the Manager shall revise **Schedule A** of this Agreement accordingly.

10. Powers.

vi. The business and affairs of the Company shall be managed by a manager, who may, but need not be, a Member. The Company shall initially have one manager. The number of managers shall be fixed from time to time by the Members, but in no instance shall there be less than one manager. The Members may, with or without cause, at any time and from time to time, remove the manager then acting and elect a new manager. Any person or entity dealing with the Company may rely on a certificate signed by the manager on any document purporting to bind the Company, which shall constitute exclusive evidence to third parties of the authority of such person to execute such document on behalf of the Company and so bind the Company. Subject to any restrictions set forth in manager's organizational documents, as in effect from

time to time, the manager acting on behalf or in respect of the Company is empowered, subject to the specified terms of this Agreement, to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Company and its subsidiaries, including, without limitation, full power and authority, directly or through its subsidiaries or affiliates, to distribute cash to the Members, enter into, perform and carry out contracts of any kind, borrow money and issue evidences of indebtedness whether or not secured by mortgage, deed of trust, pledge or other lien, acquire, own, manage, improve and develop any property, and lease, sell, transfer and dispose of any property. The Company shall not be required to hold annual meetings of the Members.

vii. The Members, in their capacity as such (and except to the extent that a Member shall act in the capacity of Tax Matters Representative pursuant to Section 20 hereof) shall have no part in the management of the Company and shall have no authority or right to act on behalf of or bind the Company in connection with any matter.

viii. AT&T Mobility Corporation is hereby designated to serve as the manager but may resign upon 30 days' written notice to the Members and any other manager.

ix. For so long as the Company has an investment in any regulated Media Company or Common Carrier (as defined by the Communications Act of 1933, as amended, and the Federal Communication's Acts rules and decisions (the "Communications Laws")), then the following provisions shall apply to the holders of Series A Preferred Interests to the minimum extent necessary to insulate the holders of Series A Preferred Interests from any deemed "attributable interest" in a Common Carrier or regulated Media Company under the attribution rules and policies of the Communications Laws. No holder of Series A Preferred Interests may:

k. act as an employee of the Company if such Person's functions, directly or indirectly, relate to the Common Carrier or regulated Media Company business of the Company;

l. serve, in any material capacity, as an independent contractor or agent of the Common Carrier or regulated Media Company business of the Company;

m. communicate on matters pertaining to the day-to-day operations of the Common Carrier or regulated Media Company business of the Company, with an officer, director, partner, member, agent, representative or employee of any Common Carrier or regulated Media Company investment;

n. perform any services for, or relating to, the Common Carrier or regulated Media Company business of the Company, with the exception of making loans to, or acting as surety for, such Common Carrier or regulated Media Company to the extent consistent with "equity/debt plus" component of the FCC's attribution rule;

o. become actively involved in the management or operation of the common carrier business of the Company; or

p. elect or vote for the appointment or removal of any Manager.

x. No holder of Series A Preferred Interests Holder shall take any action that such holder knows would cause a violation by the Company or any of its Affiliates of the Communications Laws.

11. Dissolution. The Company shall dissolve, and its affairs shall be wound up, upon the earlier to occur of the following: (a) the written consent of the Manager, subject to Section 10(a), or (b) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

12. Admission.

xi. The Members (other than Investor Funds) set forth on **Schedule A** hereto are hereby confirmed to have been previously properly admitted as Members of the Company.

xii. Each Investor Fund is hereby admitted to the Company as a Member of the Company upon its execution of a counterpart signature page hereto.

13. Additional Contributions.

xiii. Except as provided in this Section 13, no Member is required to make any additional capital contribution to the Company. However, the Members may, in their sole discretion, make additional capital contributions to the Company.

xiv. In the event that the assets of the Company are insufficient upon liquidation and dissolution pursuant to Section 11 hereof to fully satisfy the Public Indebtedness, Mobility shall contribute to the Company solely to be used to satisfy such Public Indebtedness an amount necessary to fully satisfy such indebtedness. In the event that such contribution is made, Mobility shall not be entitled to any right of reimbursement, contribution or other payment from the Company or any of its Members, and Mobility hereby waives and relinquishes any and all rights of contribution, reimbursement or any other remedy afforded under applicable law or otherwise to a guarantor or assuror of debt, on which more than one person has joint, several or joint and several liability, in connection with a payment on such debt by the guarantor or assuror.

14. Allocations. Each Member's distributive share of the Company's Net Income, Net Loss and items thereof shall be determined in accordance with the rules of this Section 14.

xv. Net Income. Except as otherwise provided in this Section 14, Net Income shall be allocated among the Members as follows:

q. First, to the Members *pro rata* in proportion to the cumulative Net Losses previously allocated to each Member pursuant to Section 14(b)(ii), until the cumulative allocation of Net Income to each Member pursuant to this Section 14(a)(i)

equals the cumulative allocation of Net Loss to each Member pursuant to Section 14(b)(ii); and

r. Second, any remaining Net Income to the Members holding Common Interests pro rata in proportion to their respective Common Percentage Interests.

xvi. Net Loss. Except as otherwise provided in this Section 14, Net Loss shall be allocated among the Members as follows:

s. First, to the Members holding Common Interests pro rata in proportion to their positive Adjusted Capital Account balances until the Adjusted Capital Account balances of the Members holding Common Interests is reduced to zero; and

t. Second, any remaining Net Loss to the Members who bear the economic risk of loss in accordance with the Treasury Regulations.

xvii. Special Allocations. The following special allocations shall be made in the following order:

u. Minimum Gain Chargeback. Except as otherwise provided in Treasury Regulation Section 1.704-2(f), notwithstanding any other provision of this Section 14, if there is a net decrease in Minimum Gain during any Allocation Period, each Member shall be specially allocated items of Company income and gain for such Allocation Period (and, if necessary, subsequent Allocation Periods) in an amount equal to such Member's share of the net decrease in Minimum Gain, determined in accordance with Treasury Regulation Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Treasury Regulation Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 14(c)(i) is intended to comply with the minimum gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

v. Member Minimum Gain Chargeback. Except as otherwise provided in Treasury Regulation Section 1.704-2(i)(4), notwithstanding any other provision of this Section 14, if there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during any Allocation Period, each Member who has a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Treasury Regulation Section 1.704-2(i)(5), shall be specially allocated items of Company income and gain for such Allocation Period (and, if necessary, subsequent Allocation Periods) in an amount equal to such Member's share of the net decrease in Member Nonrecourse Debt, determined in accordance with Treasury Regulation Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Treasury Regulation Sections

1.704-2(i)(4) and 1.704-2(j)(2). This Section 14(c)(ii) is intended to comply with the minimum gain chargeback requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

w. Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)*(d)(4)*, 1.704-1(b)(2)(ii)*(d)(5)* or 1.7041(b)(2)(ii)*(d)(6)*, items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulation, the Adjusted Capital Account Deficit of such Member as quickly as possible; provided that an allocation pursuant to this Section 14(c)(iii) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 14 have been tentatively made as if this Section 14(c)(iii) were not in the Agreement.

x. Gross Income Allocation. In the event any Member has an Adjusted Capital Account Deficit at the end of any Allocation Period, such Member shall be specially allocated items of Company income and gain in the amount of such deficit as quickly as possible; provided that an allocation pursuant to this Section 14(c)(iv) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 14 have been made as if Section 14(c)(iii) and this Section 14(c)(iv) were not in the Agreement.

y. Nonrecourse Deductions. Nonrecourse Deductions for any Allocation Period shall be specially allocated to the Members in proportion to their Percentage Interests.

z. Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Allocation Period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i)(1).

aa. Section 754 Adjustments. To the extent Treasury Regulation Section 1.704-1(b)(2)(iv)*(m)(2)* or 1.704-1(b)(2)(iv)*(m)(4)* requires an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of its LLC Interest, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in accordance with Treasury Regulation Section 1.7041(b)(2)(iv)*(m)(2)* or Treasury Regulation Section 1.704-1(b)(2)(iv)*(m)(4)*, as the case may be; provided, however, that for this purpose, the determination of the extent to which Treasury Regulation Section 1.704-1(b)(2)(iv)*(m)(2)* or 1.701(b)(2)(iv)*(m)(4)* requires an adjustment pursuant to Code Section 734(b) or Code Section 743(b) to be taken into account in determining Capital Accounts shall be

made after taking into account any adjustment to the Carrying Value of the Company's assets required in connection with the liquidating distribution pursuant to subparagraph (b) of the definition of "Carrying Value" in Section 1.

xviii. Curative Allocations. The allocations set forth in Section 14(c) and Section 14(e) (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 14(d). Therefore, notwithstanding any other provision of this Section 14 (other than the Regulatory Allocations), the Manager shall make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to this Section 14 without regard to the Regulatory Allocations. In exercising its discretion under this Section 14(d), the Manager shall take into account future Regulatory Allocations that, although not yet made, are likely to offset other previously made Regulatory Allocations.

xix. Loss Limitation. Net Loss allocated pursuant to Section 14(b) and the items of loss or deduction allocated pursuant to Section 14(c) and Section 14(d) shall not exceed the maximum amount of Net Loss and items of loss or deduction that can be so allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Allocation Period.

xx. Other Allocation Rules.

ab. Net Income, Net Loss and any other items of income, gain, loss or deduction shall be allocated to the Members pursuant to this Section 14 as of the last day of each Allocation Period.

ac. In any cases in which it is necessary to determine the Net Income, Net Loss or any other items allocable to any period within an Allocation Period, Net Income and Net Loss and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Manager using any permissible method under Code Section 706 and the Treasury Regulation thereunder.

ad. The Members hereby agree to be bound by the provisions of this Section 14 in reporting their shares of Company income and loss for income tax purposes, except to the extent otherwise required by law.

ae. Solely for purposes of determining each Member's share of the "excess nonrecourse liabilities" of the Company within the meaning of Treasury Regulation Section 1.752-3(a)(3), the manner in which the Members share excess nonrecourse liabilities for any taxable year shall be determined by the Manager using any permissible method provided under Treasury Regulation Section 1.752-3(a)(3); provided

that unless otherwise determined by the Manager, excess nonrecourse liabilities (within the meaning of Treasury Regulation Section 1.752-3(a)(3)) shall be allocated under the allocation method that (1) will, to the maximum extent possible, result in no Member recognizing taxable gain (or will minimize the taxable gain recognized) under Code Section 731 or otherwise as a result of any actual or deemed distribution to a Member, while (2) maximizing any Code Section 734(b) positive basis adjustment (or minimizing any Code Section 734(b) negative basis adjustment) resulting from any such actual distribution of property (the "Preferred Excess Nonrecourse Liability Allocation Method"). For purposes hereof, the Preferred Excess Nonrecourse Liability Allocation Method may be any method or combination of methods permitted by Treasury Regulation Section 1.752-3(a)(3), including the "additional method" of Treasury Regulation Section 1.752-3(a)(3), which allows excess nonrecourse liabilities to be allocated to a partner based on the amount of built-in gain that is allocable to such partner on Code Section 704(c) property (as defined in Treasury Regulation Section 1.704-3(a)(3)(ii)) or property for which reverse Code Section 704(c) allocations are applicable (as described in Treasury Regulation Section 1.704-3(a)(6)(i)) that is subject to a nonrecourse liability to the extent such built-in gain exceeds the gain described in Treasury Regulation Section 1.752-3(a)(2).

af. If a Member transfers all or any part of its Series A Preferred Interests (the "Transferred Interests"), then (i) with respect to the Distribution Period in which such transfer occurs, when, as and if declared by the Manager, the Company shall allocate for U.S. federal income tax purposes the Series A Preferred Return with respect to such Transferred Interests for such Distribution Period pro rata to the transferor and transferee based on the number of days in the Distribution Period (x) prior to the date of the transfer and (y) on and after the date of the transfer (respectively), and (ii) with respect to each prior Distribution Period in the taxable year in which such transfer occurs, when, as and if declared by the Manager, the Company shall allocate for U.S. federal income tax purposes the Series A Preferred Return with respect to such Transferred Interests for such Distribution Periods to the transferor.

xxi. Tax Allocations: Code Section 704(c).

ag. In accordance with Code Section 704(c) and the applicable Treasury Regulation thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company before or after the Effective Time or any liability assumed by or taken subject to by the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property or the adjusted issue price (if any) of such liability to the Company, as the case may be, for federal income tax purposes and its initial Carrying Value.

ah. In the event the Carrying Value of any Company asset or liability is adjusted pursuant to subparagraph (b) of the definition of "Carrying Value" in Section 1 and Section 14(b) or (c), subsequent allocations of income, gain, loss, and deduction

with respect to such asset or liability shall take account of any variation between the adjusted basis of such asset or the adjusted issue price (if any) of such liability, as the case may be, for federal income tax purposes and its Carrying Value in the same manner as under Code Section 704(c) and the applicable Treasury Regulation thereunder.

ai. For purposes of applying Section 704(c) to a contributed or revalued property or liability, the Manager may, except as otherwise provided herein, elect any permissible method under Section 704(c) of the Code and the Treasury Regulations thereunder; provided, however, that with respect to the adjustment to the Carrying Value of Company property and liabilities made in connection with the Additional Contributions, the Manager shall, unless otherwise agreed by the Members, elect "the traditional method with curative allocations" under Treasury Regulation Section 1.704-3(c).

aj. Except as otherwise provided in this Agreement, all items of Company income, gain, loss, deduction, and any other allocations not otherwise provided for shall be divided among the Members in the same proportions as they share Net Income or Net Loss, as the case may be, for the Allocations Period.

ak. Allocations pursuant to this Section 14(g) are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Net Income, Net Loss other items, or distributions pursuant to any provision of this Agreement.

15. Capital Accounts.

xxii. The Company shall maintain for each Member a Capital Account in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be (i) increased by (A) the Capital Contributions made by such Member to the Company pursuant to this Agreement, (B) the Net Income and items of Company income and gain (including income and gain exempt from tax) allocated to such Member pursuant to Section 14 and (C) the Fair Market Value of any Company Liability assumed or taken subject to by such Member, and (ii) decreased by (A) the amount of cash and the Fair Market Value of any property distributed to such Member pursuant to this Agreement (other than the Guaranteed Payment Amount) and (B) the Net Loss and items of Company deduction and loss (including expenditures of the Company that are neither deductible nor capitalized for federal income tax purposes) allocated to such Member pursuant to Section 14. In the event a Member transfers an LLC Interest in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred LLC Interest.

xxiii. In accordance with the provisions of Treasury Regulation Sections 1.704-1(b)(2)(iv)(f) and 1.704-l(b)(2)(iv)(h)(2), immediately prior to a Member's contribution to the Company of more than a de minimis amount of cash or other property, or a Member's assumption of more than a de minimis amount of Company liabilities, in exchange for an interest in the Company, the issuance of an interest (other than a de minimis interest) in the Company in consideration of the performance of services, or the issuance of a Noncompensatory Option

(other than an option for a de minimis interest), the Carrying Value of all Company property and liabilities shall be adjusted in accordance with subparagraph (b) of the definition of "Carrying Value" in Section 1 and the Capital Accounts of all Members shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to Company property and liabilities, as if (i) the Unrealized Gain or Unrealized Loss with respect to such property and liabilities immediately prior to the contribution or assumption had been recognized on the sale of each such property and the satisfaction of each such liability at that time and (ii) the resulting items of Unrealized Gain or Unrealized Loss had been allocated among the Members pursuant to Section 14 as if such items were the only items of income, gain, loss, or deduction of the Company for an Allocation Period ending on the date of the contribution or assumption; provided, however, that in the event of the issuance of an interest in the Company pursuant to the exercise of a Noncompensatory Option where the right to share in Company capital represented by such interest differs from the consideration paid to acquire and exercise such option, the Carrying Value of each Company property immediately after the issuance of such interest shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property and the Capital Accounts of the Members shall be adjusted in a manner consistent with Treasury Regulation Section 1.704-1(b)(2)(iv)(s).

xxiv.In accordance with the provisions of Treasury Regulation Sections 1.704-l(b)(2)(iv)(f) and 1.704-l(b)(2)(iv)(h)(2), immediately prior to any distribution to a Member by the Company of more than a de minimis amount of money or other property, or the Company's assumption of more than a de minimis amount of a Member's individual liabilities, in exchange for an interest in the Company (including the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), the Manager may cause the Carrying Value of all Company property and liabilities to be adjusted in accordance with subparagraph (b) of the definition of "Carrying Value" in Section 1 and the Capital Accounts of all Members to be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to Company property and liabilities, as if (i) the Unrealized Gain or Unrealized Loss with respect to such property and liabilities immediately prior to the distribution or assumption had been recognized on the sale of each such property and the satisfaction of each such liability at that time and (ii) the resulting items of Unrealized Gain or Unrealized Loss had been allocated among the Members pursuant to Section 14 as if such items were the only items of income, gain, loss, or deduction of the Company for an Allocation Period ending on the date of the distribution or assumption.

xxv.In accordance with the provisions of Treasury Regulation Section 1.704l(b)(2)(iv)*(e)*, immediately prior to any distribution to a Member of any Company property as part of a pro rata distribution to the Members, the Manager may cause the Carrying Value of the distributed Company property to be adjusted in accordance with subparagraph (c) of the definition of "Carrying Value" in Section 1 and the Capital Accounts of all Members to be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to the distributed Company property, as if (i) the Unrealized Gain or Unrealized Loss with respect to such property immediately prior to the distribution had been recognized on the sale of such property at that time and (ii) such Unrealized Gain or Unrealized Loss had been allocated among

the Members pursuant to Section 14 as if such items were the only items of income, gain, loss, or deduction of the Company for an Allocation Period ending on the date of the distribution.

xxvi. For purposes of computing the amount of any items of income, gain, loss or deduction to be reflected in the Members' Capital Accounts, rules analogous to those set forth in subparagraphs (a) through (e) of the definition of "Net Income" and "Net Loss" shall be applied.

16. Distributions.

xxvii. Non-Liquidating Distributions. Subject to the Manager's powers set forth in Section 10 hereof to determine the amount and timing of any distribution, any non-liquidating distributions shall be made to the Members in the following order of priority:

al. First, Members holding Series A Preferred Interests shall be entitled to receive, when, as and if declared by the Manager, only out of funds legally available for the making of such distributions, cumulative cash distributions in an amount equal to the Series A Preferred Return with respect to each Series A Preferred Interest, and no more, payable quarterly on the 1st day of February, May, August and November in each year (each, a "Distribution Payment Date"), beginning on November 1, 2013. Notwithstanding any provision hereof, any distribution otherwise payable on a Distribution Payment Date that is not a Business Day may be paid on the next succeeding Business Day with the same force and effect as if paid on such Distribution Payment Date and, if so paid, shall be deemed for all purposes to have been paid on such Distribution Payment Date. Any amount so payable on a Distribution Payment Date shall be payable in arrears with respect to the calendar quarter (or portion thereof) ending on the last day of such calendar quarter preceding such Distribution Payment Date (each such period, a "Distribution Period"), to the Members holding the Series A Preferred Interests on such Distribution Payment Date. Distributions on Series A Preferred Interests shall accrue and be cumulative from September 9, 2013. Any distribution or portion thereof payable on the Series A Preferred Interests in respect of any partial Distribution Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Any distribution that accrues in respect of a Distribution Period but is not declared and paid on the relevant Distribution Payment Date as aforesaid shall cumulate and shall not be payable until such time, if any, as it is declared by the Manager out of legally available funds as aforesaid. No interest or distributions, or sum of money in lieu thereof, shall accrue or be payable in respect of any distribution payments on Series A Preferred Interests that may be in arrears. Holders of Series A Preferred Interests shall not be entitled to any distributions, whether payable in cash, securities or other property, other than distributions (if any) declared and payable on Series A Preferred Interests as specified in this Section 16(a)(1) (subject to the other provisions of the LLC Agreement) unless declared by the Manager. No distribution amount that accrues in respect of any Distribution Period shall be "in arrears" at any time on or prior to the corresponding Distribution Payment Date (or, if such day is not a Business Day, the next succeeding Business Day). Any distribution amount in arrears may be paid on any Business Day,

whether or not a Distribution Payment Date, at any time at the election of the Manager, whereupon such amount shall no longer be "in arrears."

am. Second, to the Members holding Common Interests in accordance with their relative Common Percentage Interests.

xxviii. Liquidating Distributions. Upon dissolution of the Company pursuant to Section 11, or any other voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the proceeds of such dissolution shall be used:

an. First, to satisfy the debts and liabilities of the Company;

ao. Second, to pay each Member holding Series A Preferred Interests an amount equal to the greater of (A) the Series A Preferred Interests Member's Capital Account balance or (B) the aggregate Liquidation Preference for the Series A Preferred Interests held by such Member;

ap. Third, any remaining proceeds shall be distributed to the Members in accordance with the positive balances in their Capital Account.

xxix. Priority of Distributions.

No distributions on the Series A Preferred Interests will be declared or paid or set apart for payment if such authorization, payment or setting apart for payment is restricted or prohibited by law or contract. Notwithstanding the foregoing, distributions with respect to the Series A Preferred Interests will accrue during (but only during) the relevant respective Distribution Period and, if not paid on the corresponding Distribution Payment Date, will thereupon cumulate, whether or not any of the foregoing restrictions exist, whether or not there are funds legally available for the payment thereof and whether or not they are declared (but no amount shall accrue on any cumulated distribution in arrears).

aq. Unless accrued distributions on the Series A Preferred Interests have been, or contemporaneously are, declared and paid in full, or declared and a sum sufficient for the payment thereof in full is or has been set apart for such payment, for all past, completed Distribution Periods: (A) no distributions will be declared or paid, and no sums set apart for payment, upon any Common Interests (other than distributions payable in Common Interests); and (B) the Company shall not be permitted to make any transfer of cash or other property to any Member or affiliate of such Member, whether pursuant to a loan, equity distribution, sale, exchange or any other arrangement.

xxx. Advance or Draw. Except as otherwise provided in any written agreement prepared in connection with a distribution by the Company, any non-liquidating distribution of money or other property made during a taxable year by the Company to a Member with respect to Common Interests held by such Member constitutes an advance or draw against the Member's distributive share of Company taxable income for such year; provided, however, that any such

distribution that is made by the Company to a Member during a taxable year shall constitute a loan by the Company to such Member that must be repaid as soon as practicable to the extent that the amount of such distribution exceeds the Member's adjusted tax basis in its LLC Interest after taking into account its distributive share of the Company's taxable income for the current year. For purposes of the foregoing sentence, the amount of any distribution equals the sum of the amount of any distributed money and the fair market value of any distributed property.

17. Admission of Additional Members. Subject to Section 7(a), additional members of the Company may be admitted to the Company with the consent of the Manager.

18. Issuance of Additional LLC Interests. Subject to Section 7(a) and Section 8, Manager is hereby authorized to cause the Company from time to time to issue to Members or other persons additional LLC Interests in accordance with the terms hereof.

19. Personal Property. The LLC Interests shall for all purposes be personal property. No Member shall have any interest in specific property of the Company.

20. Partnership Representative.

xxxi.The Partnership Representative, for purposes of Code Section 6223 shall be the Manager or such other person the Manager designates. Each Member hereby consents to such designation and agrees that, upon the request of the Manager, it will execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may reasonably be necessary or appropriate to evidence such consent. The Company shall notify the Internal Revenue Service (the "IRS") of the change in Partnership Representative in the manner and at the time that the IRS requires; the former Partnership Representative shall cooperate with the Manager in making any necessary filings with the IRS regarding such change. As a condition of appointment as the Partnership Representative, the Partnership Representative agrees or shall agree that, in the event such person ceases to be the Partnership Representative, all correspondence or notifications from or by the IRS received by such person in such person's capacity (or former capacity) as the Partnership Representative for the Company shall be promptly forwarded to the Manager and shall, if contacted by the IRS, inform the IRS that such person no longer is authorized by the Company to act as the Partnership Representative of the Company. Without the consent of all the Members, the Partnership Representative may not elect to apply the Partnership Audit Procedures to any taxable year beginning before January 1, 2018.

(b) The Partnership Representative may not (i) commence a judicial action with respect to a federal income tax matter or appeal an adverse determination of a judicial tribunal, or (ii) enter into any settlement agreement which affects the amount, deductibility or credit of any Company item, in each case, without the prior consent of the Manager. In the event of any pending tax action, investigation, claim or controversy involving the Company which proposes an adjustment with respect to any item reported on a federal income tax return of a Member, the Partnership Representative shall provide to the Members copies of all notices and other written communications received by the Partnership Representative from the IRS or sent by the Partnership Representative to the IRS, relating to the Company. The Partnership Representative is entitled to reimbursement by the Company for all expenses reasonably incurred by it in

representing the Company in any administrative or judicial proceeding relating to the tax treatment of Company items. The terms and conditions of Section 24 (Indemnification) applicable to the Manager shall apply to the Partnership Representative, mutatis mutandis.

(c) At the sole discretion of the Partnership Representative, acting through the Designated Individual (as defined below), the Company shall make a Small Partnership Election (to the extent permitted to be made under applicable law) for each taxable year. By execution of this Agreement, the Members hereby consent to Small Partnership Elections (to the extent permitted to be made under applicable law).

(d) If a Small Partnership Election cannot be made under applicable law, the Members agree that, if the Company receives a notice of final partnership administrative adjustment that would, with the passing of time, result in an "imputed underpayment" imposed on the Company as that term is defined in Section 6225 of the Code, then, (i) the Partnership Representative may request any applicable modifications to such imputed underpayment pursuant to Section 6225(c) of the Code, (ii) each Member shall take all actions requested by the Partnership Representative to facilitate any applicable modification to such imputed underpayment pursuant to Section 6225(c) of the Code (other than the filing of amended returns) and (iii) if the Partnership Representative determines to do so, the Company shall make an Adjusted K-1 Election and comply with all of the requirements and procedures required in connection with such election to make inapplicable to the Company the requirement in Section 6225 of the Code that the Company pay such "imputed underpayment" as that term is used in that section; provided, however, that the Members may determine by unanimous consent not to make such Adjusted K-1 Election.

(e) In all situations, without regard to the specific elections made, each Member agrees to reasonably cooperate with the Partnership Representative, the Company, and other Members by providing such information and taking such actions as may be reasonably necessary to mitigate, to the fullest extent possible, the potential tax exposure of the Company as well as the potential tax exposure of the other Member or Members relating to the Company.

(f) Any taxes, penalties, and interest payable by the Company or any entity disregarded for United States income tax purposes in which the Company owns an interest under Subchapter C of Chapter 63 of Subtitle F of the Code and the Treasury Regulations pursuant thereto ("Partnership Audit Procedures") shall be treated as specifically attributable to the Members, and the Manager shall use reasonable best efforts to allocate the burden of (or any diminution in distributable proceeds resulting from) any such taxes, penalties or interest to those Members to whom such amounts are specifically attributable (whether as a result of their status, actions, inactions or otherwise), as determined by the Manager. Notwithstanding the foregoing, such apportionment of liability shall also take into account the extent to which the Company's imputed underpayment was modified by adjustments under Code Section 6225(c) (to the extent approved by the IRS) and attributable to (x) a particular Member's tax classification, tax rates, tax attributes, the character of tax items to which the adjustment relates, and similar factors, or (y) the Member's filing of an amended return or complying with the "alternative procedure" to filing an amended tax return for the Member's taxable year that includes the end of the

Company's reviewed year and payment of required tax liability in a manner that complies with Code Section 6225(c)(2). In connection with the foregoing, to the extent that the Company is assessed amounts under the Partnership Audit Procedures, each current or former Member to which the assessment relates shall remit to the Company, within 30 days' written notice by the Partnership Representative, an amount equal to such Member's allocable share of the assessment, including such Member's allocable share of any interest imposed on the Company. The foregoing sentence shall survive the dissolution of the Company, the withdrawal of any Member from the Company and the transfer of any Member's interest in the Company.

(g) These procedures shall apply, mutatis mutandis, to any state, local or foreign tax audit regime that centralizes the conduct of a tax audit of the Company. The Partnership Representative shall serve in a similar capacity for any such audit.

(h) If the Partnership Representative is an entity, the Partnership Representative shall, at its sole discretion, appoint the "designated individual" of the Partnership Representative within the meaning of Treas. Reg. Section 301.6223-1(b)(3)(ii) (the "Designated Individual"), provided that any such appointee shall agree to be bound by the terms, conditions and other provisions of this Agreement to the extent that such terms, conditions and other provisions are expressly imposed upon the Partnership Representative as provided herein. The Company shall enter into a Designated Individual Agreement with the Designated Individual, and with any person subsequently qualified and appointed as the Designated Individual, in substantially the form attached hereto as Exhibit A.

i. This Section 20 shall survive the dissolution of the Company, the withdrawal of any Member from the Company and the transfer of any Member's interest in the Company.

21. Limited Liability. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Members and the Manager, if any, shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member or manager of the Company.

22. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED UNDER, THE LAWS OF THE STATE OF DELAWARE, ALL RIGHTS AND REMEDIES BEING GOVERNED BY SAID LAWS, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

23. Amendments. This Agreement may not be modified, altered, supplemented or amended except pursuant to a written agreement executed and delivered either by the Members holding Common Interests representing, in the aggregate, a majority in Common Percentage Interest or by the Manager; provided that any such amendment that adversely affects the Special Rights associated with any Series A Preferred Interests held by a Member or Members shall also be executed and delivered by the Member or Members holding a majority (in number) of the Series A Preferred Interests whose Special Rights are so affected.

24. Indemnification.

ii.The Manager shall not be liable, responsible or accountable in damages or otherwise to the Company, to any third party or to any Member for (i) any act performed or omission within the scope of the authority conferred on the Manager by this Agreement or otherwise except for the gross negligence, fraud or willful misconduct (including any willful violation of the terms of the Manager Certificate or this Agreement) of the Manager, (ii) the Manager's performance of, or failure to perform, any act on the reasonable reliance on advice of legal counsel to the Company, or (iii) the negligence, dishonesty or bad faith of any agent, consultant or broker of the Company selected, engaged or retained in good faith and with reasonable prudence. In any threatened, pending or completed action, suit or proceeding, the Manager shall, to the fullest extent permitted by law, be fully protected and indemnified and held harmless by the Company against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, proceedings, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, reasonable attorneys' fees, costs of investigation, fines, judgments and amounts paid in settlement, actually incurred by the Manager in connection with such action, suit or proceeding) by virtue of its status as an indemnified party or with respect to any action or omission taken or suffered in good faith, other than liabilities and losses resulting from the gross negligence, fraud, breach of fiduciary duty or willful misconduct (including any willful violation of the terms of the Certificate of Incorporation (or other governing instrument) of Manager or this Agreement) of the Manager. Expenses, including reasonable attorneys' fees, incurred by Manager in defending any such action, suit or proceeding shall be paid or reimbursed by the Company promptly upon demand and, if any such demand is made in advance of the final disposition of any such action, suit or proceeding, promptly upon receipt by the Company of an undertaking of Manager to repay such expenses if it shall ultimately be determined that Manager is not entitled to be indemnified by the Company. The indemnification provided by this Section 24 shall be recoverable only out of the assets of the Company, and no Member shall have any personal liability on account thereof. For purposes of this subsection (a), the term "Company" shall include any predecessor of the Company and any constituent entity (including any constituent of a constituent) absorbed by the Company in a consolidation or merger.

iii. The Company shall indemnify to the full extent permitted by law (A) any person made or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was an officer of the Company or was a director, officer, member, stockholder, partner, incorporator or liquidator of a subsidiary of the Company or serves or served at the request of the Company any other enterprise as a director, officer, employee, member, stockholder, partner, incorporator or liquidator or in any other capacity, (B) the Manager to the extent of its indemnification payments under its bylaws, and (C) NCWS with respect to any payment made by it with respect to the Public Indebtedness. Expenses, including reasonable attorneys' fees, incurred by any such person in defending any such action, suit or proceeding shall be paid or reimbursed by the Company promptly upon demand by such person and, if any such demand is made in advance of the final disposition of any such action, suit or proceeding, promptly upon

receipt by the Company of an undertaking of such person to repay such expenses if it shall ultimately be determined that such person is not entitled to be indemnified by the Company. The rights provided to any person by this provision shall be enforceable against the Company by such person, who shall be presumed to have relied upon it in serving or continuing to serve as an officer or in such other capacity as provided above. In addition, the rights provided to any person by this provision shall survive the termination of such person as any such officer of the Company or director, officer, member, stockholder, partner, incorporator or liquidator of a subsidiary of the Company and, insofar as such person served at the request of the Company as a director, officer, member, stockholder, partner, incorporator or liquidator of or in any other capacity for any other enterprise, shall survive the termination of such request as to service prior to termination of such request.

ar. Notwithstanding anything contained in this subsection (b), except for proceedings to enforce rights provided in this subsection (b), the Company shall not be obligated under this subsection (b) to provide any indemnification or any payment or reimbursement of expenses to any officer or other person in connection with a proceeding (or part thereof) initiated by such person (which shall not include counterclaims or crossclaims initiated by others, or any claim to enforce rights to indemnification under this subsection (b) if it has been ultimately determined that the person making such indemnification claim is entitled to the claimed indemnification) unless the board of directors of the Manager has authorized or consented to such proceeding (or part thereof) in a resolution adopted by it.

as. For purposes of this subsection (b), the term "Company" shall include any predecessor of the Company and any constituent entity (including any constituent of a constituent) absorbed by the Company in a consolidation or merger; the term "other enterprise" shall include any corporation, partnership, limited liability company, joint venture, trust, association or other unincorporated organization or other entity and any employee benefit plan; the term "officer", when used with respect to the Company, shall refer to any officer of the Company or the Manager elected by or appointed pursuant to authority granted by the board of directors (or similar body) of the Manager pursuant to the bylaws (or other governing instrument) of the Manager, when used with respect to a subsidiary or other enterprise that is a corporation, shall refer to any person elected or appointed pursuant to the bylaws of such subsidiary or other enterprise or chosen in such manner as is prescribed by the bylaws of such subsidiary or other enterprise or determined by the board of directors of such subsidiary or other enterprise, and when used with respect to a subsidiary or other enterprise that is not a corporation or is organized in a foreign jurisdiction, the term "officer" shall include in addition to any officer of such entity, any person serving in a similar capacity or as the manager of such entity; service "at the request of the Company" shall include service as an officer or employee of the Company which imposes duties on, or involves services by, such officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to

an employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Company.

at. Nothing in this subsection (b) shall limit the power of the Company or the Manager to provide rights of indemnification and to make payment and reimbursement of expenses, including attorneys' fees, to officers, employees, agent or other persons otherwise than pursuant to this subsection (b).

au. Payments made by the Company directly to attorneys representing persons entitled to indemnification under subsection (a) or (b) of this Section 24 (each an "Indemnified Party"), and payments made by the Company directly to claimants or other persons to discharge obligations of such persons that would be indemnifiable under subsection (a) or (b) of this Section 24 if paid by such persons, shall also be deemed to be indemnification payments.

iv. To the extent that, at law or in equity, an Indemnified Party has duties (including fiduciary duties) and liabilities relating thereto to the Company, to any Member or to any other Indemnified Party, an Indemnified Party acting under this Agreement shall not be liable to the Company or to any Member or to any other Indemnified Party for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of an Indemnified Party otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Party.

v. No amendment of this Section 24 shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment.

25. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefore in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

26. Counterparts. For the convenience of the Members, this Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall together constitute the same agreement.

27. Headings; Recitals. All section headings and the recitals herein are for convenience of reference only and are not part of this Agreement, and no construction or reference shall be derived therefrom.

28. Entire Agreement; Waiver. This Agreement (including any exhibits and schedules hereto) supersedes all prior agreements, written or oral, among the parties hereto with respect to the subject matter hereof and thereof and contains the entire agreement among the parties with respect to the subject matter hereof and thereof. No waiver of any provisions hereof by any party hereto shall be deemed a waiver of any other provisions hereof by any such party, nor shall any such waiver be deemed a continuing waiver of any provision hereof by such party.

29. **Third Party Beneficiaries. NOTHING IN THIS AGREEMENT, EXPRESS OR IMPLIED, IS INTENDED TO CONFER UPON ANY PERSON NOT A MEMBER ANY RIGHTS OR REMEDIES OF ANY NATURE WHATSOEVER UNDER OR BY REASON OF THIS AGREEMENT (EXCEPT TO THE EXTENT SPECIFICALLY PROVIDED IN SECTIONS 24 AND 30) AND THE MANAGER SHALL HAVE NO DUTY OR OBLIGATION TO ANY CREDITOR OF THE COMPANY TO REQUEST THE MEMBERS TO MAKE ADDITIONAL CONTRIBUTIONS TO THE CAPITAL OF THE COMPANY.**

30. Exculpation. Notwithstanding any other terms of this Agreement, whether express or implied, or obligation or duty at law or in equity, no Indemnified Party shall be liable to the Company or any member or manager for any act or omission (in relation to the Company, this Agreement, any related document or any transaction contemplated hereby or thereby) taken or omitted by an Indemnified Person in the belief that such act or omission is in or is not contrary to the best interests of the Company and is within the scope of authority granted to such Indemnified Party by this Agreement, provided that such act or omission does not constitute willful misfeasance, gross negligence or bad faith of such Indemnified Party.

[The remainder of this page intentionally left blank. Signatures on following page.]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, have duly executed this Agreement (which may be in counterparts) as of the date first above written.

AS MEMBERS: **AS MANAGER:**

AT&T Mobility LLC **AT&T Mobility Corporation**

By: AT&T Mobility Corporation, its sole Manager By:_____
Name: George B. Goeke
Title: Treasurer

By:_____
Name: George B. Goeke
Title: Treasurer

AT&T Corp.

By:_____
Name: Jeston B. Dumas
Title: Chief Financial Officer and Treasurer

BellSouth Mobile Data, Inc.

By:_____
Name: George B. Goeke
Title: Treasurer

JP Morgan Chase Bank, N.A., as trustee of the SBC Master Pension Trust

By:_____
Name: _____
Title: _____

INVESTOR FUNDS:
[Investor Funds 1-28]

By:_____
Name: _____
Title: _____

SCHEDULE A

MEMBERS

Common Interest Members

Member	Common Interests	Common Percentage Interest
Mobility	644,959,718	92.865222460%
BSMD	36,828,861	5.302843385%
AT&T Corp.	12,722,995	1.831934155%
	694,511,574	100.0000000%

Series A Preferred Interest Member

Member	Series A Preferred Interests
SBC Master Pension Trust	213,333,334
PIMCO Funds: PIMCO Income Fund	41,201,923
PIMCO Funds: PIMCO Total Return Fund	22,978,604
PIMCO Funds: Private Account Portfolio Series PIMCO Long Duration Credit Bond Portfolio	9,048,456
PIMCO Funds: PIMCO Investment Grade Credit Bond Fund	6,388,322
PIMCO Funds: PIMCO International Bond Fund (U.S. Dollar-Hedged)	3,952,199
PIMCO Funds: PIMCO Real Return Fund	2,004,101
PIMCO Variable Insurance Trust: PIMCO Total Return Portfolio	2,136,108
PIMCO Funds: PIMCO Low Duration Income Fund	1,868,094
Brighthouse Funds Trust I - PIMCO Total Return Portfolio	1,644,083
PIMCO Funds: PIMCO Diversified Income Fund	1,576,079
PIMCO Funds: Private Account Portfolio Series PIMCO Investment Grade Credit Bond Portfolio	1,560,079
PIMCO ETF Trust: PIMCO Active Bond Exchange-Traded Fund	1,196,060
PIMCO Funds: PIMCO Long-Term Credit Bond Fund	1,148,058
Pacific Select Fund - Managed Bond Portfolio	1,148,058
PIMCO Funds: PIMCO Long Duration Total Return Fund	1,128,057
Bridge Builder Trust: Bridge Builder Core Plus Bond Fund	1,036,052
PIMCO Funds: PIMCO Dynamic Bond Fund	400,020
PIMCO Dynamic Credit and Mortgage Income Fund	876,044
Brighthouse Funds Trust I- PIMCO Inflation Protected Bond Portfolio	444,022
PIMCO Funds: PIMCO StocksPLUS® Absolute Return Fund	700,035
Transamerica PIMCO Total Return VP	696,035
Harbor Bond Fund	656,033
PIMCO Funds: PIMCO Preferred and Capital Securities Fund	588,030
PIMCO Variable Insurance Trust: PIMCO Real Return Portfolio	360,018
PIMCO Funds: PIMCO StocksPLUS® Small Fund	524,026
PIMCO Flexible Credit Income Fund	484,024
PIMCO Funds: PIMCO Moderate Duration Fund	464,023
PIMCO Dynamic Income Fund	460,023

EXHIBIT A
FORM OF DESIGNATED INDIVIDUAL AGREEMENT

DESIGNATED INDIVIDUAL AGREEMENT

This DESIGNATED INDIVIDUAL AGREEMENT (this "Agreement"), dated as of [___], 20[_], is entered into by and between [_____] (the "Company"), and [_____], an individual (the "Designated Individual"). Capitalized terms used but not defined herein are used as defined in [_____] (the "LLC Agreement").

RECITALS:

WHEREAS, the Bipartisan Budget Act of 2015 eliminates the concept of a "tax matters partner," and replaces it with the concept of a "partnership representative" and makes certain changes to the manner in which limited liability companies and their members are audited and taxes may be assessed therefrom, each effective for tax years commencing after December 31, 2017;

WHEREAS, by that certain [_____], [_____] has been designated by the Company to serve as the partnership representative (the "Partnership Representative"); and

WHEREAS, where the Partnership Representative is an entity, the Partnership Representative shall, at its sole discretion, appoint the "designated individual" of the Partnership Representative within the meaning of Treas. Reg. Section 301.6223-1(b)(3)(ii).

NOW, THEREFORE, it is mutually agreed as follows:

1. The Designated Individual hereby acknowledges that he or she has received and reviewed a true and correct copy of the LLC Agreement, attached hereto as Exhibit A.

2. The Designated Individual hereby approves, consents to and agrees to be bound by the terms, conditions and other provisions of the LLC Agreement to the extent that such terms, conditions and other provisions are expressly imposed upon the Partnership Representative as provided therein.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date first written above.

COMPANY:

[_____]

By:_____
Title:_____

DESIGNATED INDIVIDUAL:

_____
Name:

[*Signature Page to Designated Individual Agreement*]

FIRST AMENDMENT TO
AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

This First Amendment to the AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (this "Amendment"), dated as of September 28, 2020 (the "Effective Date"), is entered into by and among (i) AT&T Inc., a Delaware corporation ("AT&T"), (ii) Brock Fiduciary Services LLC (the "Investment Manager"), as named fiduciary and investment manager, with respect to the AT&T Pension Benefit Plan ("AT&T Plan"), a participating plan in the SBC Master Pension Trust ("Trust"), acting on its own behalf and as investment manager on behalf of the Trust, (iii) the Trust, as a Holder (as defined below), and (iv) each of the entities set forth on Schedule 1 hereto (collectively, the "PIMCO Funds" and each a "PIMCO Fund"). Capitalized terms used but not defined in this Amendment shall have the meanings given to such terms in the Registration Rights Agreement (as defined below).

WHEREAS, each of AT&T, the Investment Manager, and the Trust is party to that certain Amended and Restated Registration Rights Agreement, dated October 15, 2018, (the "Registration Rights Agreement");

WHEREAS, pursuant to that certain Series A Purchase Agreement (the "Series A Purchase Agreement"), dated as of September 24, 2020, made among JP Morgan Chase Bank, N.A., as directed trustee of the Trust, the Investment Manager, AT&T Mobility II LLC and each PIMCO Fund, the Trustee on behalf of the Trust intends to sell (the "Sale") to the PIMCO Funds 106,666,666 in aggregate series A cumulative perpetual preferred membership interests (the "Purchased Interests") in AT&T Mobility II LLC;

WHEREAS, in connection with the transfer of the Purchased Interests, the PIMCO Funds will be admitted as members of AT&T Mobility II LLC and it has been determined advisable and in the best interest of AT&T Mobility II LLC to further amend and restate AT&T Mobility II LLC's Fourth Amended & Restated LLCA and enter into a Fifth Amended and Restated LLCA;

WHEREAS, in connection with the transfer of the Purchased Interests and the Fifth Amended & Restated LLCA and the addition of the PIMCO Funds as members thereunder, the parties to the Registration Rights Agreement wish to (i) amend the Registration Rights Agreement pursuant to Section 5.4 as set forth herein and (ii) admit each PIMCO Fund as a party to the Registration Rights Agreement; and

WHEREAS, the Trust constitutes, as holder of all 320,000,000 of Series A Preferred Interests outstanding as of the date hereof immediately prior to the transfer of the Purchased Interests, a Majority in Interest of the Holders of the Preferred Interests, and Section 5.4 of the Registration Rights Agreement permits amendments thereof by a writing signed by AT&T, a Majority in Interest of the Holders, and the Investment Manager.

NOW THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1. Subject to and in accordance with the terms of the Registration Rights Agreement, effective as of the date hereof, each PIMCO Fund shall become a substitute Holder with respect to the Purchased Interests held by such PIMCO Fund until such time as such PIMCO Fund ceases to hold any Purchased Interest, upon which, such PIMCO Fund shall automatically, and without further action from any party to the Registration Rights Agreement, cease to be a Holder thereunder.

2. Non-Affiliates. If, and so long as, a Holder of Registrable Securities (other than the Trust) is not an Affiliate of AT&T (as defined in the Registration Rights Agreement), such Holder shall not be subject to (a) the provisions of Section 3.2(e) or (f) of the Registration Rights Agreement or (b) any restriction in the Registration Rights Agreement as a result of any Sale Window; and

3. Amendment to 4.1(e). Section 4.1(e)(i) is hereby amended and restated in its entirety as follows:

a. (i) Notwithstanding anything in this Agreement to the contrary, if either the executive officers or board of directors of AT&T determine, in its good faith judgment, that the filing, effectiveness or use of any registration statement (or proposed action or use) (x) would require AT&T to make public disclosure of material non-public information that, as determined in good faith by such executive officers or board of directors, would not be required to be made at such time but for filing or maintaining in effect a registration statement as contemplated by this Agreement, (y) would reasonably be expected to materially impede, delay or interfere with, or otherwise adversely affect, any significant financing, significant acquisition, corporate reorganization or other significant transaction then pending or proposed to be taken by AT&T or any of its subsidiaries (or any negotiations, discussions or pending proposals with respect thereto), or (z) render AT&T unable to comply with applicable securities laws, AT&T shall be entitled, in its sole discretion, to postpone and delay such filing, effectiveness or use of such registration statement for a period of time (a "Blackout Period"), and during each Blackout Period the Holders shall not make (or permit to be made on their behalf) any offers or sales of Registrable Shares, whether in a Shelf Takedown, a Non-Shelf Offering, pursuant to Rule 144 or in any other transaction, provided, however, that AT&T may not impose more than two Blackout Periods in any 12-month period, and such Blackout Periods may not exceed 60 days in the aggregate; provided, however, that AT&T shall give written notice to the Holders of its determination to impose a Blackout Period, in which case any requesting Holders shall be entitled to cancel any pending Demand Request or Non-Shelf Notice that has been made but not yet effected without such Demand Request or Non-Shelf Notice counting as one of the Demand Requests or Non-Shelf Notices referred to in Section 4.1(b). Upon notice by AT&T to the Holders of any such determination, the Holders shall, except as required by applicable law, keep the fact of any

such notice strictly confidential, and during any Blackout Period, promptly halt any and all transfers of Holder Shares (whether pursuant to a Shelf Registration Statement, a Non-Shelf Offering, Rule 144 or otherwise) for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by AT&T), and promptly halt any use, publication, dissemination or distribution of any prospectus or prospectus supplement covering such Registrable Shares for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by AT&T) and, if so directed by AT&T, shall deliver to AT&T any copies then in its possession of any such prospectus or prospectus supplement. Notwithstanding anything to the contrary in this Agreement, if, upon commencement of a Shelf Takedown or Non-Shelf Offering, AT&T determines, without the agreement of a Majority in Interest of the requesting Holders, to cause such offering to be suspended or halted, such action by AT&T shall be counted as one of the two Blackout Periods permitted pursuant to this Section 4.1(b), and AT&T shall promptly reimburse such requesting Holders all of such Holders' reasonable, out-of-pocket expenses incurred with respect to such suspended or halted offering.

4. Notices. The address of the PIMCO Funds for any notice to be delivered to any PIMCO Fund under Section 5.5 of the Registration Rights Agreement shall be as provided below:

Pacific Investment Management Company LLC
650 Newport Center Drive
Newport Beach, CA 92660
Attn: The Control Group
Email: controlgroupNB@pimco.com

with copies to:

Ropes & Gray LLP
1211 6th Ave New York, NY 10036
Attn: Robb Tretter
E-mail address: Robb.Tretter@ropesgray.com

5. Entire Agreement. Except as expressly modified herein, all other terms and conditions of the Registration Rights Agreement will continue in full force and effect. The Registration Rights Agreement, as amended by this Amendment, constitutes and contains the entire agreement between the parties respecting the subject matter hereof and supersedes any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

6. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

7. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law principles thereof.

[signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

AT&T INC.

By: ____

Name:

Title:

SBC MASTER PENSION TRUST

By: JP MORGAN CHASE BANK, N.A.,

Solely in its Capacity As Directed
Trustee of the SBC Master Pension Trust

By:____

Name:

Title:

BROCK FIDUCIARY SERVICES, LLC, for itself and as Fiduciary and Investment Manager

By: Brock Capital Group LLC, as Managing Member

By: Charles Brock LLC, as Managing

Member

By:____

Name:

Title:

EACH PIMCO FUND SET FORTH ON SCHEDULE 1

By: Pacific Investment Management Company LLC, as investment manager, adviser or sub-adviser

By:____

Name:

Title:

SCHEDULE 1

PIMCO Funds: PIMCO Income Fund
PIMCO Funds: PIMCO Total Return Fund
PIMCO Funds: Private Account Portfolio Series PIMCO Long Duration Credit Bond Portfolio
PIMCO Funds: PIMCO Investment Grade Credit Bond Fund
PIMCO Funds: PIMCO International Bond Fund (U.S. Dollar-Hedged)
PIMCO Funds: PIMCO Real Return Fund
PIMCO Variable Insurance Trust: PIMCO Total Return Portfolio
PIMCO Funds: PIMCO Low Duration Income Fund
Brighthouse Funds Trust I - PIMCO Total Return Portfolio
PIMCO Funds: PIMCO Diversified Income Fund
PIMCO Funds: Private Account Portfolio Series PIMCO Investment Grade Credit Bond Portfolio
PIMCO ETF Trust: PIMCO Active Bond Exchange-Traded Fund
PIMCO Funds: PIMCO Long-Term Credit Bond Fund
Pacific Select Fund - Managed Bond Portfolio
PIMCO Funds: PIMCO Long Duration Total Return Fund
Bridge Builder Trust: Bridge Builder Core Plus Bond Fund
PIMCO Funds: PIMCO Dynamic Bond Fund
PIMCO Dynamic Credit and Mortgage Income Fund
Brighthouse Funds Trust I- PIMCO Inflation Protected Bond Portfolio
PIMCO Funds: PIMCO StocksPLUS® Absolute Return Fund
Transamerica PIMCO Total Return VP
Harbor Bond Fund
PIMCO Funds: PIMCO Preferred and Capital Securities Fund
PIMCO Variable Insurance Trust: PIMCO Real Return Portfolio
PIMCO Funds: PIMCO StocksPLUS® Small Fund
PIMCO Flexible Credit Income Fund
PIMCO Funds: PIMCO Moderate Duration Fund
PIMCO Dynamic Income Fund

AT&T HEALTH PLAN

Effective January 1, 2021

ARTICLE 1 PURPOSE

The AT&T Health Plan ("Plan") provides Participants with certain medical, dental, and vision benefits, as specified herein. Effective March 23, 2010, the Plan shall be frozen to new Participants, except as described in Section 2.15. The Company intends this Plan to be a “grandfathered health plan” under the Patient Protection and Affordable Care Act (the “Affordable Care Act”). Appendix C hereto contains the required Participant disclosure regarding the Plan’s grandfathered status under the Affordable Care Act.

ARTICLE 2 DEFINITIONS

For purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

a. **Active Participant**. “Active Participant” shall mean an Active Employee Participant and his Dependents.

b. **Active Employee Participant**. “Active Employee Participant” shall mean an Eligible Employee electing to participate in the Plan while in active service, on a Leave of Absence or while receiving short term disability benefits under the Officer Disability Plan.

c. **Annual Deductible**. “Annual Deductible” shall mean the amount the Active Participant must pay for Covered Health Services in a Plan Year before the Plan will begin paying for Covered Benefits in that calendar year. The Annual Deductible applies to all Covered Health Services. The Annual Deductible does not apply to Preventive Care, Dental Services and Vision Services. Once the Participant meets his applicable Annual Deductible, the Plan will begin to pay Covered Benefits, subject to any required Coinsurance, in accordance with and as governed by Section 4.1. The applicable Annual Deductible is set forth in Appendix A to this Plan.

d. **Annual Out-of-Pocket Maximum.** “Annual Out-of-Pocket Maximum” shall mean the maximum amount of Covered Health Services an Active Participant must pay out-of-pocket every calendar year, including the Participant’s Annual Deductible. Once the Participant reaches the applicable Annual Out-of-Pocket Maximum, Covered Benefits for those Covered Health Services that apply to the Annual Out-of-Pocket Maximum are payable in accordance with and as governed by Section 4.1 during the rest of that Plan Year. The following costs shall never apply toward the Annual Out-of-Pocket Maximum: (a) any applicable Monthly Contributions and (b) any charges for Non-Covered Health Services. Even when the Annual Out-of-Pocket Maximum has been reached, Covered Benefits will not be provided for the following: (a) any applicable Monthly Contributions and (b) any charges for Non-Covered Health Services. The applicable Annual Out-of-Pocket Maximum is set forth in Appendix A to this Plan.

e. **AT&T**. “AT&T” shall mean AT&T Inc. References to “Company” shall mean AT&T.

f. **CEO**. "CEO" shall mean the Chief Executive Officer of AT&T Inc.

g. **COBRA**. “COBRA” shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

h. **Coinsurance.** “Coinsurance” shall mean the amount an Active Participant must pay each time he/she receives Covered Health Services, after he/she meets the applicable Annual Deductible. Coinsurance payments are calculated as a percentage of Covered Health Services, rather than a set dollar amount. Coinsurance does not apply to Preventive Care, Dental Services and Vision Services (or Medical Services for Retired Participants as provided in Section 4.1(c)). The applicable Coinsurance percentage is set forth in Appendix A to this Plan.

i. **Committee**. "Committee" shall mean the Human Resources Committee of the Board of Directors of AT&T Inc.

j. **Covered Benefits**. “Covered Benefits” shall mean the benefits provided by the Plan, as provided for and governed by Section 4.1 of the Plan.

k. **Covered Health Services**. “Covered Health Services” means all Medical Services or Preventive Care that would qualify as deductible medical expenses for federal income tax purposes, whether deducted or not. Dental Services and Vision Services are not included in the definition of Covered Health Services.

l. **Dental Services**. “Dental Services” shall mean services for dental and orthodontic care. The Plan Administrator, in its sole discretion, shall determine whether a particular service is classified as Preventive Care or a Dental, Medical or Vision Service.

m. **Dependent(s)**. “Dependent(s)” shall mean those individuals who would qualify as a Participant’s dependent(s) under the terms of the AT&T Medical Program.

n. **Disability.** "Disability" shall mean qualification for long term disability benefits under Section 3.1 of the Officer Disability Plan.

o. **Eligible Employee**. "Eligible Employee" shall mean an Officer. Notwithstanding the foregoing, the CEO may, from time to time, exclude any Officer or group of Officers from being an “Eligible Employee” under this Plan. Employees of a company acquired by AT&T shall not be considered an Eligible Employee unless designated as such by the CEO. Notwithstanding the foregoing, only the Committee shall have the authority to exclude from participation or take any action with respect to Executive Officers.

Notwithstanding the foregoing provisions, unless otherwise provided for in Appendix D to this Plan, individuals hired, rehired or promoted to an Officer level position on or after March 23, 2010 shall be excluded from the term Eligible Employee, and such individuals (and their Dependents) shall not be eligible to participate in this Plan.

p. **Employer**. "Employer" shall mean AT&T Inc. or any of its Subsidiaries.

q. **Executive Officer**. “Executive Officer” shall mean any executive officer of AT&T, as that term is used under the Securities Exchange Act of 1934.

r. **International Plan.** “International Plan” shall mean the “AT&T International Health Plan” for Officers serving in expatriate positions with the Company.

s. **Leave of Absence**. “Leave of Absence” shall mean a Company-approved leave of absence.

t. **Medical Services.** “Medical Services” shall mean medical/surgical, mental health/substance abuse and prescription pharmacy services. The Plan Administrator, in its sole discretion, shall determine whether a particular service is classified as Preventive Care or a Medical, Dental or Vision Service. Medical Services do not include Dental Services and Vision Services.

u. **Monthly Contributions.** “Monthly Contributions” shall mean the monthly premiums or contributions required for participation in this Plan as further governed by Article 7 of the Plan. The applicable Monthly Contributions are set forth in Exhibit A to this Plan.

v. **Non-Covered Health Services.** “Non-Covered Health Services” shall mean any Medical Services or Preventive Care which do not meet the definition of Covered Health Services.

w. **Officer**. "Officer" shall mean an individual who is designated as an officer level employee for compensation purposes on the records of AT&T.

x. **Participant**. “Participant” shall mean an Active Participant or Retired Participant or both, as the context indicates.

y. **Plan Administrator**. “Plan Administrator” shall mean the SEVP-HR, or any other person or persons whom the Committee may appoint to administer the Plan; provided that the Committee may act as the Plan Administrator at any time.

z. **Plan Year**. ”Plan Year” shall mean the calendar year.

aa. **Preventive Care**. “Preventive Care” generally focuses on evaluating a Participant’s current health status when the Participant is symptom-free and taking the necessary steps to maintain the Participant’s health. The Plan Administrator, in its sole discretion, shall determine whether a particular service constitutes Preventive Care.

ab. **Qualified Dependent**. “Qualified Dependent” shall mean a Dependent who loses coverage under a COBRA eligible program due to a Qualifying Event.

ac. **Qualifying Event**. “Qualifying Event” shall mean any of the following events if, but for COBRA continuation coverage, they would result in a Participant’s loss of coverage under this Plan:

(1) death of a covered Eligible Employee;
(2) termination (other than by reason of such Eligible Employee’s gross misconduct) of an Employee’s employment;
(3) reduction in hours of an Eligible Employee;

(4) divorce or legal separation of an Eligible Employee or dissolution of an Eligible Employee's registered domestic partnership;
(5) an Eligible Employee's entitlement to Medicare benefits; or
(6) a Dependent child ceasing to qualify as a Dependent

ad. Retire, Retired or Retirement. "Retire," "Retired" or "Retirement" shall mean the termination of an Active Employee Participant's employment with AT&T or any of its Subsidiaries, for reasons other than death, on or after the earlier of the following dates: (1) the date such Active Employee Participant has attained age 55, and, for an Active Employee Participant on or after January 1, 2002, has five (5) years of service, or (2) the date the Active Employee Participant has attained one of the following combinations of age and service at termination of employment on or after April 1, 1997:

Net Credited Service	Age
25 years or more	50 or older
30 years or more	Any age

2.31 Retired Participant. "Retired Participant" shall mean a Retired Employee Participant and his Dependents.

2.32 Retired Employee Participant. "Retired Employee Participant" shall mean a former Active Employee Participant who has Retired within the meaning of Section 2.30 and who meets the additional requirements of Section 3.2 to be eligible for coverage in Retirement.

2.33 SEVP-HR. "SEVP-HR" shall mean AT&T's highest ranking Officer, specifically responsible for human resources matters.

2.34 Subsidiary. "Subsidiary" shall mean any corporation, partnership, venture or other entity in which AT&T holds, directly or indirectly, a 50% or greater ownership interest. The Committee may, at its sole discretion, designate any other corporation, partnership, venture or other entity a Subsidiary for the purpose of participating in this Plan.

2.35 Vision Services. "Vision Services" shall mean services for vision care. The Plan Administrator, in its sole discretion, shall determine whether a particular service is classified as Preventive Care or a Vision, Medical or Dental Service.

2.36 Medicare Eligible Retired Participant. "Medicare Eligible Retired Participant" shall mean a Retired Participant who is eligible for Medicare due to reaching the eligible age for Medicare.

ARTICLE 3 ELIGIBILITY

a. Active Participants. Each Eligible Employee shall be eligible to participate in this Plan along with his/her Dependent(s) beginning on the effective date of the employee becoming an Eligible Employee.

In order to continue participation, the Active Participant must pay all applicable Monthly Contributions. If an Active Employee Participant terminates participation in this Plan at any time for any reason, that Participant and his/her Dependent(s) shall be ineligible to participate in the Plan at any time in the future.

b. Retired Participants. Provisions of this Plan will continue in effect during Retirement for each Retired Employee Participant and his/her Dependent(s) with respect to any Eligible Employee who became a Participant before January 1, 1999. Neither an Eligible Employee who became a Participant after December 31, 1998 nor his/her Dependent(s) shall be eligible for participation hereunder on or after such Participant's Retirement. Coverage for Retired Participants shall be subject to the payment of all applicable Monthly Contributions, as governed by Article 7. The provisions of this Plan related to Retired Participants, including the level of Covered Benefits and the applicable Monthly Premiums, shall begin to apply on the first day of the month following the month in which the Active Employee Participant Retires. If a Retired Employee Participant terminates participation at any time for any reason, participation of that Retired Employee participant and his/her Dependent(s) may not be reinstated for any reason.

c. Requirement to Enroll and Participate in Medicare and the International Plan. Notwithstanding any provision in this plan to the contrary, as a condition to participation in the Plan, each Participant must be enrolled in, paying for, and participating in (i) all parts of Medicare for which such Participant is eligible and for which Medicare would be primary if enrolled therein, except for Medicare Part D relating to prescription drug coverage, and (ii) the International Plan (if eligible).

ARTICLE 4 BENEFITS

a. Covered Benefits. Subject to the limitations in this Plan (including but not limited to the loyalty conditions set forth in Article 8 below), this Plan provides the benefits described below. Monthly Contributions for participation in this Plan, the International Plan, Medicare, or any other health plan are not considered "services", and are therefore are not Covered Benefits under this Plan.

(a) Active Participants (Medical Services and Preventive Care) -

Medical Services - After the Annual Deductible has been met, 100% payment of Covered Health Services not paid under the International Plan or Medicare minus the amount of Coinsurance, until the Active Participant reaches the Annual Out-of-Pocket Maximum, at which time coverage is 100% of Covered Health Services (or 100% of Covered Health Services not paid under the International Plan).
Preventive Care - Preventive Care is covered at 100%, not subject to the Annual Deductible or Coinsurance.

(b) Active Participants (Dental Services and Vision Services) -
100% payment, through reimbursement or otherwise, of all Dental Services and Vision Services not paid under the Active Participant's (i) Medicare, or (ii) International Plan, provided expenses for such services would qualify as deductible medical expenses for

federal income tax purposes, whether deducted or not.

(c) Retired Participants

100% payment, through reimbursement or otherwise, of all Medical, Dental, Vision and Preventive services not paid under the Retired Participant's Medicare, provided expenses for such services would qualify as deductible medical expenses for federal income tax purposes, whether deducted or not.

b. Priority of Paying Covered Claims. Claims for benefits will be applied against the various health plans, as applicable, and coordinated with Medicare in the following order:

(1) Medicare, to the extent the Participant is eligible therefore and such claim is actually paid by Medicare,
(2) International Plan, if applicable,
(2) CarePlus, if elected,
(3) Long Term Care Plan, if elected,
(4) this Plan.

ARTICLE 5 TERMINATION OF PARTICIPATION

a. Termination of Participation. Participation will cease on the last day of the month in which one of the following conditions occurs:

(1) A Participant ceases to meet the definition of a Dependent (as set forth in Section 2.13 of this Plan) for any reason, in which case participation ceases for such Participant;

(2) A Participant eligible to enroll in Medicare is no longer a participant in all parts of Medicare for which such Participant is eligible to enroll and for which Medicare would be primary if enrolled therein, except for Medicare Part D relating to prescription drug coverage, in which case participation ceases for such Participant;

(3) The Active Employee Participant's termination of employment for reasons other than Death, Disability, or Retirement by an individual who meets the applicable requirements of Section 3.2 in order to qualify for Plan benefits in Retirement, in which case participation ceases for the Participant and his/her Dependent(s);

(4) The demotion or designation of an Active Employee Participant so as to no longer be eligible to participate in the Plan, in which case participation ceases for the Participant and his/her Dependent(s);

(5) The Active Employee Participant (or Retired Employee Participant) participates in an activity that constitutes engaging in competitive activity with AT&T or engaging in conduct disloyal to AT&T under Article 8, in which case participation ceases for the Active Employee Participant (or Retired Employee Participant) and his/her Dependent(s); or

(6) Discontinuance of the Plan by AT&T, or, with respect to a Subsidiary's Active Employee Participants (or Retired Employee Participants), such Subsidiary's failure to make the benefits hereunder available to Active Employee Participants employed by it (or its Retired Employee Participants).

5.a. **Death**. In the event of the Active Employee Participant's (or Retired Employee's Participant's) death, his Dependents may continue participation in this Plan as follows:

(1) In the event of the death of a Retired Employee Participant such Retired Employee Participant's Dependents may continue participation in this Plan, eligible for the Covered Benefits described in Section 4.1(c) of the Plan, for so long as such Dependents would have otherwise been eligible to participate under the terms of the AT&T Medical Program, are paying any applicable contributions for this Plan as provided in Article 7, and are participating in Medicare if eligible. If a surviving spouse of such deceased Active Employee Participant otherwise eligible for participation in the Plan remarries, his/her participation and the participation of any otherwise eligible Dependents will cease with the effective date of his/ her marriage.

(2) In the event of an in-service death of an Active Employee Participant eligible to participate in the Plan in Retirement as provided under Article 3.2, who was Retirement eligible, within the meaning of Section 2.30, at the time of death, such Active Employee Participant's surviving Dependents may continue participation in this Plan, eligible for the Covered Benefits described in Section 4.1(a) and (b), for so long as such Dependents would have otherwise been eligible for participation under the terms of the AT&T Medical Program, are paying any applicable contributions for this Plan as provided in Article 7, and are participating in Medicare if eligible. If a surviving spouse of such deceased Active Employee Participant otherwise eligible for participation in the Plan remarries, his/her participation and the participation of any otherwise eligible Dependents will cease with the effective date of his/ her marriage.

(3) In the event of (i) an in-service death of an Active Employee Participant not eligible to participate in the Plan in Retirement as provided in Article 3.2 or (ii) an in-service death of an Active Employee Participant eligible to participate in the Plan in Retirement as provided in Article 3.2 but the individual was not Retirement eligible, within the meaning of Section 2.30, at the time of death, such Active Employee Participant's Dependent(s) may continue participation in this Plan, eligible for the Covered Benefits described in Sections 4.1(a) and (b), for a 36-month period commencing the month following the month in which such Active Employee Participant dies as long as such Dependent(s) would have otherwise been eligible for participation under the terms of the AT&T Medical Program and subject to the payment of Active Participant Contributions for the first 12 months and payment of Active COBRA Contributions for the remaining 24 months, as provided by Articles 7 and 10.1. If the Active Employee Participant's

Dependent(s) are eligible for COBRA, they will automatically be enrolled in COBRA so that there is no lapse in coverage, and this 36-month coverage will be integrated and run concurrently with COBRA coverage.

ARTICLE 6 DISABILITY

5.a. **Disability**. With respect to any Active Employee Participant who commences receipt of short term or long term disability benefits under the Officer Disability Plan, participation under this Plan will be as follows:

(1) The Participant will continue to participate in this Plan, eligible for the Covered Benefits described in Section 4.1(a) and (b), for as long as he/she receives short term disability benefits under the Officer Disability Plan and pays the applicable contributions for this Plan as provided by Article 7.

(2) An Active Employee Participant not eligible to participate in the Plan in Retirement as provided in Article 3.2 who commences long term disability benefits under the Officer Disability Plan or an Active Employee Participant eligible to participate in the Plan in Retirement as provided in Article 3.2 but who is not Retirement eligible, within the meaning of Section 2.30, at the time long term disability benefits under the Officer Disability Plan commence, will cease participation in this Plan (along with his/her Dependents) effective as of the last day of the calendar month in which such long term disability benefits commence, unless such benefits commence on the first day of a calendar month, in which case participation in this Plan shall cease effective as of the last day of the prior month.

(3) An Active Employee Participant eligible to participate in the Plan in Retirement as provided in Article 3.2 ,who is Retirement eligible, within the meaning of Section 2.30, at the time long term disability benefits under the Officer Disability Plan commence, will be eligible to continue participation in this Plan on the same terms and conditions that participation would be available to such Participant in Retirement, subject to the payment of applicable contributions for this Plan as provided by Article 7, regardless of his/her continued receipt of long term disability benefits under the Officer Disability Plan.

ARTICLE 7 COSTS

5.a. **Provision of Benefits under the Plan**. Except as provided below in this Article 7 with respect to required Monthly Contributions or with respect to any required Coinsurance, the benefits available to Participants under this Plan shall be provided through an insurance policy maintained by AT&T.

5.b. **Active Participant Contributions**. An Active Participant electing to participate in the Plan will pay Monthly Contributions to participate in the Plan while in active service, while on Leave of Absence or while receiving short term disability benefits under the Officer Disability Plan. The Monthly Contribution for participation may change annually, effective at the beginning of each Plan Year. Contributions to be made by Active

Participants electing to participate in the Plan shall be set annually by the SEVP-HR, determined in the SEVP-HR's sole and absolute discretion. The SEVP-HR may adopt tiered rates for similarly situated groups of Participants based on factors such as the number of Dependents covered or Medicare eligibility. Notwithstanding the foregoing, required Monthly Contributions for Executive Officers shall be approved by the Committee.

5.c. **Retired Participant Contributions**. Retired Participants who elect to participate will pay Monthly Contributions to participate in the Plan. The Monthly Contribution for participation may change annually, effective at the beginning of each Plan Year. Contributions to be made by Retired Participants who elect to participate shall be set annually by the SEVP-HR (in his/her sole and absolute discretion), to the extent their contributions have not previously been provided for in a separate agreement.

5.d. **Survivor Contributions.** Upon the death of a Participant, the Participant's Dependents shall be required to pay Monthly Contributions to participate in the Plan. The Monthly Contributions shall be set annually by the SEVP-HR, in the SEVP-HR's sole and absolute discretion. Any changes to the Monthly Contributions shall be effective at the beginning of each Plan Year.

5.e. **Contributions for Participants on Disability**. Participants continuing benefits while on Disability shall be required to pay Monthly Contributions to participate in the Plan. The Monthly Contributions shall be set annually by the SEVP-HR, determined in the SEVP-HR's sole and absolute discretion. Any changes to the Monthly Contributions shall be effective at the beginning of each Plan Year.

ARTICLE 8 LOYALTY CONDITIONS

5.a. Participants acknowledge that no coverage and benefits would be provided under this Plan on and after January 1, 2010 but for the loyalty conditions and covenants set forth in this Article, and that the conditions and covenants herein are a material inducement to AT&T's willingness to sponsor the Plan and to offer Plan coverage and benefits for the Participants on or after January 1, 2010. Accordingly, as a condition of receiving coverage and any Plan benefits on or after January 1, 2010, each Participant is deemed to agree that he/she shall not, without obtaining the written consent of the Plan Administrator in advance, participate in activities that constitute engaging in competition with AT&T or engaging in conduct disloyal to AT&T, as those terms are defined in this Section. Further and notwithstanding any other provision of this Plan, all coverage and benefits under this Plan on and after January 1, 2010 with respect to a Participant and his or her Dependents shall be subject in their entirety to the enforcement provisions of this Section if the Participant, without the Plan Administrator's consent, participates in an activity that constitutes engaging in competition with AT&T or engaging in conduct disloyal to AT&T, as defined below. The provisions of this Article 8 as in effect immediately before such date shall be applicable to Participants who retire before January 1, 2010.

5.b. **Definitions**. For purposes of this Article and of the Plan generally

i. an “Employer Business” shall mean AT&T, any Subsidiary, or any business in which AT&T or a Subsidiary or an affiliated company of AT&T has a substantial ownership or joint venture interest;

ii. “engaging in competition with AT&T” shall mean, while employed by an Employer Business or within two (2) years after the Participant’s termination of employment, engaging by the Participant in any business or activity in all or any portion of the same geographical market where the same or substantially similar business or activity is being carried on by an Employer Business. “Engaging in competition with AT&T” shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer Business. “Engaging in competition with AT&T” shall include representing or providing consulting services to, or being an employee or director of, any person or entity that is engaged in competition with any Employer Business or that takes a position adverse to any Employer Business.

iii. “engaging in conduct disloyal to AT&T” means, while employed by an Employer Business or within two (2) years after the Participant’s termination of employment, (i) soliciting for employment or hire, whether as an employee or as an independent contractor, for any business in competition with an Employer Business, any person employed by AT&T or its affiliates during the one (1) year prior to the termination of the Participant’s employment, whether or not acceptance of such position would constitute a breach of such person’s contractual obligations to AT&T and its affiliates; (ii) soliciting, encouraging, or inducing any vendor or supplier with which Participant had business contact on behalf of any Employer Business during the two (2) years prior to the termination of the Participant’s employment, for any reason to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with AT&T or its affiliate; or (iii) soliciting, encouraging, or inducing any customer or active prospective customer with whom Participant had business contact, whether in person or by other media, on behalf of any Employer Business during the two (2) years prior to the termination of Participant’s employment for any reason (“Customer”), to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with any Employer Business, or to purchase competing goods or services from a business competing with any Employer Business, or accepting or servicing business from such Customer on behalf of himself or any other business. “Engaging in conduct disloyal to AT&T” also means, disclosing Confidential Information to any third party or using Confidential Information, other than for an Employer Business, or failing to return any Confidential Information to the Employer Business following termination of employment.

iv. “Confidential Information” shall mean all information belonging to, or otherwise relating to, an Employer Business, which is not generally known, regardless of the manner in which it is stored or conveyed to the Participant, and which the Employer Business has taken reasonable measures under the circumstances to protect from unauthorized use or disclosure. Confidential Information includes trade secrets as well as other proprietary knowledge, information, know-how, and non-public intellectual property rights, including unpublished or pending patent applications and all related patent rights, formulae, processes, discoveries, improvements,

ideas, conceptions, compilations of data, and data, whether or not

patentable or copyrightable and whether or not it has been conceived, originated, discovered, or developed in whole or in part by the Participant. For example, Confidential Information includes, but is not limited to, information concerning the Employer Business' business plans, budgets, operations, products, strategies, marketing, sales, inventions, designs, costs, legal strategies, finances, employees, customers, prospective customers, licensees, or licensors; information received from third parties under confidential conditions; or other valuable financial, commercial, business, technical or marketing information concerning the Employer Business, or any of the products or services made, developed or sold by the Employer Business. Confidential Information does not include information that (i) was generally known to the public at the time of disclosure; (ii) was lawfully received by the Participant from a third party; (iii) was known to the Participant prior to receipt from the Employer Business; or (iv) was independently developed by the Participant or independent third parties; in each of the foregoing circumstances, this exception applies only if such public knowledge or possession by an independent third party was without breach by the Participant or any third party of any obligation of confidentiality or non-use, including but not limited to the obligations and restrictions set forth in this Plan.

5.c. **Forfeiture of Benefits**. Subject to the provisions of Section 1001(5) of the Affordable Care Act, coverage and benefits shall be forfeited and shall not be provided under this Plan for any period as to which the Plan Administrator determines that, within the time period and without the written consent specified, Participant has been either engaging in competition with AT&T or engaging in conduct disloyal to AT&T.

5.d. **Equitable Relief**. The parties recognize that any Participant's breach of any of the covenants in this Article 8 will cause irreparable injury to AT&T, will represent a failure of the consideration under which AT&T (in its capacity as creator and sponsor of the Plan) agreed to provide the Participant with the opportunity to receive Plan coverage and benefits, and that monetary damages would not provide AT&T with an adequate or complete remedy that would warrant AT&T's continued sponsorship of the Plan and payment of Plan benefits for all Participants. Accordingly, in the event of a Participant's actual or threatened breach of the covenants in this Article, the Plan Administrator, in addition to all other rights and acting as a fiduciary under ERISA on behalf of all Participants, shall have a fiduciary duty (in order to assure that AT&T receives fair and promised consideration for its continued Plan sponsorship and funding) to seek an injunction restraining the Participant from breaching the covenants in this Article 8. In addition, AT&T shall pay for any Plan expenses that the Plan Administrator incurs hereunder, and shall be entitled to recover from the Participant its reasonable attorneys' fees and costs incurred in obtaining such injunctive remedies. To enforce its repayment rights with respect to a Participant, the Plan shall have a first priority, equitable lien on all Plan benefits provided to or for the Participant and his or her Dependents. In the event the Plan Administrator succeeds in enforcing the terms of this Article through a written settlement with the Participant or a court order granting an injunction hereunder, the Participant shall be entitled to collect Plan benefits collect Plan benefits prospectively, if the Participant is otherwise entitled to such benefits, net of any fees and costs assessed pursuant hereto (which fees and costs shall be paid to AT&T as a repayment on behalf of

the Participant), provided that the Participant complies with said settlement or injunction.

5.e. **Uniform Enforcement**. In recognition of AT&T's need for nationally uniform standards for the Plan administration, it is an absolute condition in consideration of any Participant's accrual or receipt of benefits under the Plan after January 1, 2010 that each and all of the following conditions apply to all Participants and to any benefits that are paid or are payable under the Plan:

i. ERISA shall control all issues and controversies hereunder, and the Committee shall serve for purposes hereof as a "fiduciary" of the Plan, and as its "named fiduciary" within the meaning of ERISA.

ii. All litigation between the parties relating to this Article shall occur in federal court, which shall have exclusive jurisdiction, any such litigation shall be held in the United States District Court for the Northern District of Texas, and the only remedies available with respect to the Plan shall be those provided under ERISA.

iii. If the Plan Administrator determines in its sole discretion either (I) that AT&T or its affiliate that employed the Participant terminated the Participant's employment for cause, or (II) that equitable relief enforcing the Participant's covenants under this Article 8 is either not reasonably available, not ordered by a court of competent jurisdiction, or circumvented because the Participant has sued in state court, or has otherwise sought remedies not available under ERISA, then in any and all of such instances the Participant shall not be entitled to collect any Plan benefits, and if any Plan benefits have been paid to the, the Participant shall immediately repay all Plan benefits to the Plan (with such repayments being used within such year for increased benefits for other Participants in any manner determined in the Plan Administrator's discretion) upon written demand from the Plan Administrator. Furthermore, the Participant shall hold AT&T and its affiliates harmless from any loss, expense, or damage that may arise from any of the conduct described in clauses (I) and (II) hereof.

ARTICLE 9 MISCELLANEOUS

5.a. **Administration**. The Plan Administrator is the named fiduciary of the Plan and has the power and duty to do all things necessary to carry out the terms of the Plan. The Plan Administrator has the sole and absolute discretion to interpret the provisions of the Plan, to make findings of fact, to determine the rights and status of Participants and other under the Plan, to determine which expenses and benefits qualify as Covered Health Services or Covered Benefits, to make all benefit determinations under the Plan, to decide disputes under the Plan and to delegate all or a part of this discretion to third parties and insurers. To the fullest extent permitted by law, such interpretations, findings, determinations and decisions shall be final, binding and conclusive on all persons for all purposes of the Plan. The Plan Administrator may delegate any or all of its authority and responsibility under the Plan to other individuals, committees, third party administrators, claims administrators or insurers for any purpose, including, but not limited to the processing of benefits and claims related thereto. In carrying out these functions, these individuals or entities have been delegated responsibility and discretion for interpreting the provisions of the Plan, making findings of fact, determining the rights

and status of Participants and others under the Plan, and deciding disputes under the Plan and such interpretations, findings, determinations and decisions shall be final, binding and conclusive on all persons for all purposes of the Plan.

5.b. **Amendments and Termination**. This Plan may be modified or terminated at any time in accordance with the provisions of AT&T's Schedule of Authorizations.

5.c. **Newborns' and Mothers' Health Protection Act of 1996**. To the extent this Plan provides benefits for hospital lengths of stay in connection with childbirth, the Plan will cover the minimum length of stay required for deliveries (i.e., a 48-hour hospital stay after a vaginal delivery or a 96-hour stay following a delivery by Cesarean section.) The mother's or newborn's attending physician, after consulting with the mother, may discharge the mother or her newborn earlier than the minimum length of stay otherwise required by law. Such coverage shall be subject to all other provisions of this Plan.

5.d. **Women's Health and Cancer Rights Act of 1998**. To the extent this Plan provides benefits for mastectomies, it will provide, for an individual who is receiving benefits in connection with a mastectomy and who elects breast reconstruction in connection with such mastectomy, coverage for reconstruction on the breast on which the mastectomy was performed, surgery and reconstruction on the other breast to give a symmetrical appearance, and prosthesis and coverage for physical complications of all stages of the mastectomy, including lymphedemas. Such coverage shall be subject to all other provisions of this Plan.

5.e. **Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008**. To the extent this Plan provides mental health benefits or substance use disorder benefits it will not place annual or lifetime maximums for such benefits that are lower than the annual and lifetime maximums for physical health benefits. In addition, the financial requirements (e.g., deductibles and co-payments) and treatment limitations (e.g., number of visits or days of coverage) that apply to mental health benefits or substance use disorder benefits will not be more restrictive than the predominant financial requirements or treatment limitations that apply to substantially all medical/surgical benefits; mental health benefits and substance use disorder benefits will not be subject to any separate cost sharing requirements or treatment limitations that only apply to such benefits; if the Plan provides for out of network medical/surgical or substance use disorder benefits, it will provide for out of network mental health and substance use disorder benefits and standards for medical necessity determinations and reasons for any denial of benefits relating to mental health benefits and substance use disorder benefits will be made available upon request to plan participants. Such coverage shall be subject to all other provisions of this Plan.

5.f. **Continuation of Coverage During Family or Medical Leave**. During any period which an Active Employee Participant is on a family or medical leave as defined in the Family or Medical Leave Act, any benefit elections in force for such Participant shall remain in effect. While the Participant is on paid leave, contributions shall continue. If the Participant is on an unpaid leave, the Participant may elect to prepay required contributions on a pre-tax basis before the commencement of such unpaid leave. Alternatively, the Participant may elect to make such payments on an after-tax basis monthly in accordance with an arrangement that the Plan Administrator shall provide. If

coverage is not continued during the entire period of the family or medical leave because

the Participant declines to pay the premium, the coverage must be reinstated upon reemployment with no exclusions or waiting periods, notwithstanding any other provision of this Plan to the contrary. If the Participant does not return to work upon completion of the leave, the Participant must pay the full cost of any health care coverage that was continued on his/her behalf during the leave. These rules apply to the COBRA eligible programs.

5.g. **Rights While on Military Leave**. Pursuant to the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994, an Active Employee Participant on military leave will be considered to be on a Leave of Absence and will be entitled during the leave to the health and welfare benefits that would be made available to other similarly situated employees if they were on a Leave of Absence. This entitlement will end if the individual provides written notice of intent not to return to work following the completion of the military leave. The individual shall have the right to continue his/her coverage, including any Dependent coverage, for the lesser of the length of the leave or 18 months. If the military leave is for a period of 31 days or more, the individual may be required to pay 102 percent of the total premium (determined in the same manner as a COBRA continuation coverage premium). If coverage is not continued during the entire period of the military leave because the individual declines to pay the premium or the leave extends beyond 18 months, the coverage must be reinstated upon reemployment with no pre-existing condition exclusions (other than for service-related illnesses or injuries) or waiting periods (other than those applicable to all Eligible Employees).

5.h. **Qualified Medical Child Support Orders**. The Plan will comply with any Qualified Medical Child Support Order issued by a court of competent jurisdiction or administrative body that requires the Plan to provide medical coverage to a Dependent child of an Active Employee or Retired Employee Participant. The Plan Administrator will establish reasonable procedures for determining whether a court order or administrative decree requiring medical coverage for a Dependent child meets the requirements for a Qualified Medical Child Support Order. The cost of coverage or any additional cost of such coverage, if any, shall be borne by the Participant.

5.i. **Right of Recovery.** If the Plan has made an erroneous or excess payment to any Participant, the Plan Administrator shall be entitled to recover such excess from the individual or entity to whom such payments were made. The recovery of such overpayment may be made by offsetting the amount of any other benefit or amount payable by the amount of the overpayment under the Plan.

ARTICLE 10 COBRA

5.a. **Continuation of Coverage Under COBRA**. Participants shall have all COBRA continuation rights required by federal law and all conversion rights. COBRA continuation coverage shall be continued as provided in this Article 10.

5.b. **COBRA Continuation Coverage for Terminated Participants**. A covered Active Employee Participant may elect COBRA continuation coverage, at his/her own expense, if his participation under this Plan would terminate as a result of one of the following

Qualifying Events: an Employee’s termination of employment or reduction of hours with an Employer.

5.c. COBRA Continuation Coverage for Dependents. A Qualified Dependent may elect COBRA continuation coverage, at his/her own expense, if his/her participation under this Plan would terminate as a result of a Qualifying Event.

5.d. Period of Continuation Coverage for Covered Participants. A covered Active Employee Participant who qualifies for COBRA continuation coverage as a result of a Participant's termination of employment or reduction in hours of employment described in Subsection 10.2 may elect COBRA continuation coverage for up to 18 months measured from the date of the Qualifying Event.

Coverage under this Subsection 10.4 may not continue beyond the:

(1) date on which the Active Employee Participant's Employer ceases to maintain this Plan;

(2) last day of the month for which premium payments have been made with respect to this Plan, if the individual fails to make premium payments on time, in accordance with Subsection 10.6;

(3) date the covered Active Employee Participant becomes entitled to Medicare; or

(4) date the covered Participant is no longer subject to a pre-existing condition exclusion under the Participant's other coverage or new employer plan for the type of coverage available under the COBRA eligible program for which the COBRA election was made.

10.a. Period of COBRA Continuation Coverage for Dependents. If a Qualified Dependent elects COBRA continuation coverage under a COBRA eligible program as a result of the an Active Employee Participant's termination of employment as described in Subsection 10.2, continuation coverage may be continued for up to 18 months measured from the date of the Qualifying Event. COBRA continuation coverage for all other Qualifying Events may continue for up to 36 months.

Continuation coverage under this Subsection 10.5 with respect to a COBRA eligible program may not continue beyond the date:

(1) on which premium payments have not been made, in accordance with Subsection 10.6 below;

(2) the Qualified Dependent becomes entitled to Medicare;

(3) on which the Employer ceases to maintain this Plan; or

(4) the Qualified Dependent is no longer subject to a pre-existing condition exclusion under the Participant's other coverage or new employer plan for the type of coverage available under this Plan.

10.a. Contribution Requirements for COBRA Continuation Coverage. Covered Participants and Qualified Dependents who elect COBRA continuation coverage as a result of a Qualifying Event will be required to pay continuation coverage payments. Continuation coverage payments are the payments required for COBRA continuation coverage that is an amount equal to a reasonable estimate of the cost to this Plan of providing coverage for all covered Participants at the time of the Qualifying Event plus a 2% administrative expense. In the case of a disabled individual who receives an additional 11-month extended coverage under COBRA, the Employer may assess up to 150% of the cost for this extended coverage period. Such cost shall be determined on an actuarial basis and take into account such factors as the Secretary of the Treasury may prescribe in regulations.

Covered Participants and Qualified Dependents must make the continuation coverage payment prior to the first day of the month in which such coverage will take effect. However, a covered Participant or Qualified Dependent has 45 days from the date of an affirmative election to pay the continuation coverage payment for the first month's payment and the cost for the period between the date medical coverage would otherwise have terminated due to the Qualifying Event and the date the covered Participant and/or Qualified Dependent actually elects COBRA continuation coverage.

The covered Participant and/or Qualified Dependent shall have a 30-day grace period to make the continuation coverage payments due thereafter. Continuation coverage payments must be postmarked on or before the completion of the 30-day grace period. If continuation coverage payments are not made on a timely basis, COBRA continuation coverage will terminate as of the last day of the month for which timely premiums were made. The 30-day grace period shall not apply to the 45-day period for the first month’s payment of COBRA premiums as set out in the section above.

If payment is received that is significantly less than the required continuation coverage payment, then continuation coverage will terminate as of the last day of the month for which premiums were paid. A payment is considered significantly less than the amount due if it is greater than the lesser of $50 or 10% of the required continuation coverage payment. Upon receipt of a continuation coverage payment that is insignificantly less than the required amount, the Plan Administrator must notify the covered Participant or Qualified Dependent of the amount of the shortfall and provide them with an additional 30-day grace period from the date of the notice for this payment only.

10.b. Limitation on Participant's Rights to COBRA Continuation Coverage.

(1) If a Qualified Dependent loses, or will lose medical coverage under this Plan as a result of divorce, legal separation, entitlement to Medicare, or ceasing to be a Dependent, such Qualified Dependent is responsible for notifying the Plan Administrator in writing within 60 days of the Qualifying Event. Failure to make timely notification will terminate the Qualified Dependent's rights to COBRA continuation coverage under this Article.

(2) A Participant must complete and return the required enrollment materials within 60 days from the later of (a) the date of loss of coverage, or (b) the

date the Plan Administrator sends notice of eligibility for COBRA continuation coverage. Failure to enroll for COBRA continuation coverage

during this 60-day period will terminate all rights to COBRA continuation coverage under this Article. An affirmative election of COBRA continuation coverage by a Participant or his/her spouse shall be deemed to be an election for that Participant's Dependent(s) who would otherwise lose coverage under the Plan.

10.a. Subsequent Qualifying Event. If a second Qualifying Event occurs during an 18-month extension explained above, coverage may be continued for a maximum of 36 months from the date of the first Qualifying Event. In the event the Dependent loses coverage due to a Qualifying Event and after such date the Participant becomes entitled to Medicare, the Dependent shall have available up to 36 months of coverage measured from the date of the Qualifying Event that causes the loss of coverage. If the Participant was entitled to Medicare prior to the Qualifying Event, the Dependent shall have up to 36 months of coverage measured from the date of entitlement to Medicare.

10.b. Extension of COBRA Continuation Period for Disabled Individuals. The period of continuation shall be extended to 29 months in total (measured from the date of the Qualifying Event) in the event the individual is disabled as determined by the Social Security laws within 60 days of the Qualifying Event. The individual must provide evidence to the Plan Administrator of such Social Security determination prior to the earlier of 60 days after the date of the Social Security determination, or the expiration of the initial 18 months of COBRA continuation coverage. In such event, the Employer may charge the individual up to 150% of the COBRA cost of the coverage.

ARTICLE 11 PRIVACY OF MEDICAL INFORMATION

10.a. Definitions. For purposes of this Article 11, the following defined terms shall have the meaning assigned to such terms in this subsection:

(1) “Business Associate” shall have the meaning assigned to such phrase at 45 C.F.R. § 160.103;

(2) “Health Care Operations” shall have the meaning assigned to such phrase at 45 C.F.R. § 164.501;

(3) “HIPAA” shall mean Parts 160 (“General Administrative Requirements”) and 164 (“Security and Privacy”) of Title 45 of the Code of Federal Regulations as such parts are amended from time to time;

(4) “Payment” shall have the meaning assigned to such phrase at 45 C.F.R § 160.103;

(5) “Protected Health Information” or “PHI” shall have the meaning assigned to such phrase at 45 C.F.R. § 160.103; and

(6) “Treatment” shall have the meaning assigned to such phrase at 45 C.F.R. § 164.501.

10.b. Privacy Provisions Relating to Protected Health Information ("PHI"). The Plan and its Business Associates shall use and disclose PHI to the extent permitted by, and in accordance with, HIPAA, for purposes of providing benefits under the Plan and for purposes of administering the plan, including, by way of illustration and not by way of limitation, for purposes of Treatment, Payment, and Health Care Operations.

10.c. Disclosure of De-Identified or Summary Health Information. The HIPAA Plan, or, with respect to the HIPAA Plan, a health insurance issuer, may disclose summary health information (as that phrase is defined at 45 C.F.R. § 160.5049a)) to the Plan Sponsor of the HIPAA Plan (and its affiliates) if such entity requests such information for the purpose of:

(1) Obtaining premium bids from health plans for providing health insurance coverage under the HIPAA Plan;

(2) Modifying, amending or terminating the group health benefits under the HIPAA Plan.

In addition, the HIPAA Plan or a health insurance insurer with respect to the HIPAA Plan may disclose to the Plan Sponsor of the HIPAA Plan (or its affiliates) information on whether an individual is participating in the group health benefits provided by the HIPAA Plan or is enrolled in, or has ceased enrollment with health insurance offered by the HIPAA Plan.

10.d. The HIPAA Plan Will Use and Disclose PHI as Required by Law or as Permitted by the Authorization of the Participant or Beneficiary.

Upon submission of an authorization signed by a Participant, beneficiary, subscriber or personal representative that meets HIPAA requirements, the HIPAA Plan will disclose PHI.

In addition, PHI will be disclosed to the extent permitted or required by law, without the submission of an authorization form.

10.e. Disclosure of PHI to the Plan Sponsor. The HIPAA Plan will disclose information to the Plan Sponsor only upon certification from the Plan Sponsor that the HIPAA Plan documents have been amended to incorporate the assurances provided below.

The Plan Sponsor agrees to:

(1) not use or further disclose PHI other than as permitted or required by the HIPAA Plan document or as required by law;

(2) ensure that any affiliates or agents, including a subcontractor, to whom the Plan Sponsor provides PHI received from the HIPAA Plan, agrees to the same restrictions and conditions that apply to the Plan Sponsor with respect to such PHI;

(3) not use or disclose PHI for employment-related actions and decisions unless authorized by the individual to whom the PHI relates;

(4) not use or disclose PHI in connection with any other benefits or employee benefit plan of the Plan Sponsor or its affiliates unless permitted by the Plan or authorized by an individual to whom the PHI relates;

(5) report to the Plan any PHI use or disclosure that is inconsistent with the uses or disclosures provided for of which it becomes aware;

(6) make PHI available to an individual in accordance with HIPAA's access rules;

(7) make PHI available for amendment and incorporate any amendments to PHI in accordance with HIPAA;

(8) make available the information required to provide an accounting of disclosures;

(9) make internal practices, books and records relating to the use and disclosure of PHI received from the HIPAA Plan available to the Secretary of the United States Department of Health and Human Resources for purposes of determining the Plan's compliance with HIPAA; and

(10) if feasible, return or destroy all PHI received from the HIPAA Plan that the Plan Sponsor still maintains in any form, and retain no copies of such PHI when no longer needed for the purpose for which disclosure was made (or if return or destruction is not feasible, limit further uses and disclosures to those purposes that make the return or destruction infeasible).

10.f. Separation Between the Plan Sponsor and the HIPAA Plan. In accordance with HIPAA, only the following employees and Business Associate personnel shall be given access to PHI:

(1) employees of the AT&T Benefits and/or AT&T Executive Compensation organizations responsible for administering group health plan benefits under the HIPAA Plan, including those employees whose functions in the regular course of business include Payment, Health Care Operations or other matters pertaining to the health care programs under a HIPAA Plan;

(2) employees who supervise the work of the employees described in (1), above;

(3) support personnel, including other employees outside of the AT&T Benefits or AT&T Executive Compensation organizations whose duties require them to rule on health plan-related appeals or perform functions concerning the HIPAA Plan;

(4) investigatory personnel to the limited extent that such PHI is necessary to conduct investigations of possible fraud;

(5) outside and in-house legal counsel providing counsel to the HIPAA Plan;

(6) consultants providing advice concerning the administration of the HIPAA Plan; and

(7) the employees of Business Associates charged with providing services to the HIPAA Plan.

The persons identified above shall have access to and use PHI to the extent that such access and use is necessary for the administration of group health benefits under a HIPAA Plan. If these persons do not comply with this Plan document, the Plan Sponsor shall provide a mechanism for resolving issues of noncompliance, including disciplinary sanctions.

10.g. Enforcement.

Enforcement of this Article 11 shall be as provided for by HIPAA. In particular, participants and beneficiaries are not authorized to sue with regard to purported breaches of this Article 11 except as explicitly permitted by HIPAA.

ARTICLE 12 CLAIM AND APPEAL PROCESS

12.1 Claims for Benefits under the Plan. – See Appendix B.

12.2 Claims Related to Basic Eligibility for Coverage under the Plan and Claims Related to the Article 8 Loyalty Conditions.

(a) Claims. A person who believes that he or she is being denied a benefit to which he or she is entitled under this Plan (hereinafter referred to as a "Claimant") based on a claim for basic eligibility for coverage under the Plan or a claim related to the Article 8 Loyalty Conditions may file a written request for such benefit with the Executive Compensation Administration Department, setting forth his or her claim. The request must be addressed to the AT&T Executive Compensation Administration Department at its then principal place of business.

(b) Claim Decision. Upon receipt of a claim, the AT&T Executive Compensation Administration Department shall review the claim and provide the Claimant with a written notice of its decision within a reasonable period of time, not to exceed ninety (90) days, after the claim is received. If the AT&T Executive Compensation Administration Department determines that special circumstances require an extension of time beyond the initial ninety (90)- day claim review period, the AT&T Executive Compensation Administration Department shall notify the Claimant in writing within the initial ninety (90)-day period and explain the special circumstances that require the extension and state the date by which the AT&T Executive Compensation Administration Department expects to render its decision on the claim. If this notice is provided, the AT&T Executive Compensation Administration Department may take up to an additional ninety (90) days (for a total of one hundred eighty (180) days after receipt of the claim) to render its decision on the claim.

If the claim is denied by the AT&T Executive Compensation Administration Department, in whole or in part, the AT&T Executive Compensation Administration Department

shall provide a written decision using language calculated to be understood by the Claimant and

setting forth: (i) the specific reason or reasons for such denial; (ii) specific references to pertinent provisions of this Plan on which such denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or such information is necessary; (iv) a description of the Plan's procedures for review of denied claims and the steps to be taken if the Claimant wishes to submit the claim for review; (v) the time limits for requesting a review of a denied claim under this section and for conducting the review under this section ; and (vi) a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA if the claim is denied following review under this section.

(c) Request for Review. Within sixty (60) days after the receipt by the Claimant of the written decision on the claim provided for in this section, the Claimant may request in writing that the Plan Administrator review the determination of the AT&T Executive Compensation Administration Department. Such request must be addressed to the Plan Administrator at the address provided in the written decision regarding the claim. To assist the Claimant in deciding whether to request a review of a denied claim or in preparing a request for review of a denied claim, a Claimant shall be provided, upon written request to the Plan Administrator and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim. The Claimant or his or her duly authorized representative may, but need not, submit a statement of the issues and comments in writing, as well as other documents, records or other information relating to the claim for consideration by the Committee. If the Claimant does not request a review by the Plan Administrator of the AT&T Executive Compensation Administration Department's decision within such sixty (60)-day period, the Claimant shall be barred and estopped from challenging the determination of the AT&T Executive Compensation Administration Department.

(d) Review of Decision. Within sixty (60) days after the Plan Administrator's receipt of a request for review, the Plan Administrator will review the decision of the AT&T Executive Compensation Administration Department. If the Plan Administrator determines that special circumstances require an extension of time beyond the initial sixty (60)-day review period, the Plan Administrator shall notify the Claimant in writing within the initial sixty (60)-day period and explain the special circumstances that require the extension and state the date by which the Plan Administrator expects to render its decision on the review of the claim. If this notice is provided, the Plan Administrator may take up to an additional sixty (60) days (for a total of one hundred twenty (120) days after receipt of the request for review) to render its decision on the review of the claim.

During its review of the claim, the Plan Administrator shall:

(1) Take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial review of the claim conducted pursuant to this section;

(2) Follow reasonable procedures to verify that its benefit determination is made in accordance with the applicable Plan documents; and

(3) Follow reasonable procedures to ensure that the applicable Plan provisions are applied to the Participant to whom the claim relates in a manner consistent with how such provisions have been applied to other similarly-situated Participants.

After considering all materials presented by the Claimant, the Plan Administrator will render a decision, written in a manner designed to be understood by the Claimant. If the Plan Administrator denies the claim on review, the written decision will include (i) the specific reasons for the decision; (ii) specific references to the pertinent provisions of this Plan on which the decision is based; (iii) a statement that the Claimant is entitled to receive, upon request to the Plan Administrator and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim; and (iv) a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

In any case, a Participant or Beneficiary may have further rights under ERISA. The Plan provisions require that Participants or Beneficiary pursue all claim and appeal rights described in this section before they seek any other legal recourse regarding claims for benefits.

APPENDIX A

AT&T HEALTH PLAN

2021 MONTHLY CONTRIBUTIONS, ANNUAL DEDUCTIBLE, COINSURANCE PERCENTAGES AND ANNUAL OUT-OF-POCKET MAXIMUM

Active Participants

Monthly Contributions	Individual - $216 Individual + Spouse - $354 Individual + 1 or More Children - $233 Individual + Spouse + 1 or More Children - $551
Annual Deductible	Individual - $1,750 All other tiers - $3,500
Coinsurance Percentage	10% after the Annual Deductible is met. Coinsurance applies until the Annual Out-of-Pocket Maximum is reached.
Annual Out-of-Pocket Maximum	Individual - $7,000 All other tiers- $14,000 (individual amount of $7,000)

Retired Participants – Monthly Contributions

Retired Prior to August 31, 1992 and Surviving Spouses	Individual - $230 Individual + Spouse - $230 Individual + 2 or More - $230	
Retired on or after September 1, 1992 and Surviving Spouses *Note: The Plan Administrator shall maintain records governing whether a Retired Participant is in Class A, B, C or D.*	Class A	Individual - $750 Individual + Spouse - $1,097 Individual + 1 or More Children - $750 Individual + Spouse + 1 or More Children - $1,135
	Class B	Individual - $899 Individual + Spouse - $1,242 Individual + 1 or More Children - $899 Individual + Spouse + 1 or More Children - $1,390
	Class C	Individual - $1,110 Individual + Spouse - $1,433 Individual + 1 or More Children - $1,110 Individual + Spouse + 1 or More Children - $1,678
	Class D	Individual - $1,491 Individual + Spouse - $2,135 Individual + 1 or More Children - $1,491 Individual + Spouse + 1 or More Children - $2,292

COBRA Continuation Coverage – Monthly Contributions

Active COBRA	Individual $2,105 Individual + Spouse - $4,313 Individual + 1 or More Children - $3,420 Individual + Spouse + 1 or More Children - $6,169
Retired Prior to August 31, 1992 and Surviving Spouses COBRA	Individual - $1,690 Individual + 1 - $3,300 Individual + 2 or More - $4,738
Retired on or after September 1, 1992 and Surviving Spouses COBRA	Individual - $1,630 Individual + Spouse - $3,341 Individual + 1 or More Children - $2,649 Individual + Spouse + 1 or More Children - $4,779

APPENDIX B

CLAIMS PROCEDURE APPLICABLE TO CLAIMS FOR BENEFITS UNDER THE PLAN

Claim for Benefits Procedures

You, your covered dependents or a duly authorized person has the right under ERISA and the Plan to file a written claim for benefits under the Plan. The following describes the procedures used by the Plan to process claims for benefits, along with your rights and responsibilities. These procedures were designed to comply with the rules of the Department of Labor (DOL) concerning claims for Benefits. It is important that you follow these procedures to make sure that you receive full benefits under the Plan.

The Plan is an ERISA plan, and you may file suit in federal court if you are denied benefits you believe are due you under the Plan. However, you must complete the full claims and appeal process offered under the Plan before filing a lawsuit.

Filing a Claim for Benefits

When filing a claim for benefits, you should file the claim with the Claims Administrator. The Claims Administrator is the third party to whom claims and appeal responsibility has been delegated as permitted under Section 9.1 of the Plan.

The following are not considered claims for benefits under the Plan:

- A claim related to basic eligibility for coverage under the Plan (See Section 12.2 of the Plan).
- A claim related to the Loyalty Conditions contained in Article 8 of the Plan (See Section 12.2 of the Plan).

Claim Filing Limits

A request for payment of benefits must be submitted within one year after the date of service or the date the prescription was provided.

Required Information

When you request payment of benefits from the Plan, you must provide certain information as requested by the Claims Administrator.

Benefit Determinations

Post-Service Claims

Post-service claims are those claims that are filed for payment of benefits after medical care has been received. If your post-service claim is denied, you will receive a written notice from the Claims Administrator within 30 days of receipt of the claim, as long as all needed information identified above and any other information that the Claims Administrator may request in connection with services rendered to you was provided with the claim. The Claims Administrator will notify you within this 30-day period if additional information is needed to process the Claim and may request a one-time extension not longer than 15 days and pend your Claim until all information is received.

Once notified of the extension, you then have 45 days to provide this information. If all of the needed information is received within the 45-day time frame and the claim is denied, the claims Administrator will notify you of the denial within 15 days after the information is received. If you don't provide the needed information within the 45-day period, your claim will be denied.

A denial notice will explain the reason for denial, refer to the part of the Plan on which the denial is based, and provide the claim appeal procedures.

Pre-Service Claims

Pre-service claims are those claims that require notification or approval prior to receiving medical care or require notification within a specified time period after service begins as required under the Plan provisions. If your claim is a pre-service claim and is submitted properly with all needed information, you will receive written notice of the claim decision from the Claims Administrator within 15 days of receipt of the claim. If you file a pre-service claim improperly, the Claims Administrator will notify you of the improper filing and how to correct it within five days after the pre-service claim is received. If additional information is needed to process the pre-service claim, the Claims Administrator will notify you of the information needed within 15 days after the claim was received and may request a one-time extension not longer than 15 days and pend your claim until all information is received. Once notified of the extension, you then have 45 days to provide this information. If all of the needed information is received within the 45-day time frame, the Claims Administrator will notify you of the determination within 15 days after the information is received. If you don't provide the needed information within the 45-day period, your claim will be denied. A denial notice will explain the reason for denial, refer to the part of the Plan on which the denial is based, and provide the claim appeal procedures.

Urgent Care Claims That Require Immediate Action

Urgent care claims are those claims that require notification or approval prior to receiving medical care in which a delay in treatment could seriously jeopardize your life or health or the ability to regain maximum function or, in the opinion of a physician with knowledge of your medical condition, could cause severe pain. In these situations:

- You will receive notice of the benefit determination in writing or electronically within 72 hours after the Claims Administrator receives all necessary information, taking into account the seriousness of your condition.
- Notice of denial may be oral with a written or electronic confirmation to follow within three days.

If you filed an urgent claim improperly, the Claims Administrator will notify you of the improper filing and how to correct it within 24 hours after the urgent claim was received. If additional information is needed to process the claim, the Claims Administrator will notify you of the information needed within 24 hours after the claim was received. You then have 48 hours to provide the requested information.

You will be notified of a determination no later than 48 hours after either:

- The Claims Administrator's receipt of the requested information.
- The end of the 48-hour period within which you were to provide the additional information, if the information is not received within that time.

A denial notice will explain the reason for denial, refer to the part of the Plan on which the denial is based, and provide the claim appeal procedures.

Concurrent Care Claims

If an ongoing course of treatment was previously approved for a specific period of time or number of treatments, and your request to extend the treatment is an urgent care claim as defined above, your request will be decided within 24 hours, provided your request is made at

least 24 hours prior to the end of the approved treatment. The Claims Administrator will make a

determination on your request for the extended treatment within 24 hours from receipt of your request.

If your request for extended treatment is not made at least 24 hours prior to the end of the approved treatment, the request will be treated as an urgent care claim and decided according to the time frames described above. If an ongoing course of treatment was previously approved for a specific period of time or number of treatments, and you request to extend treatment in a non-urgent circumstance, your request will be considered a new claim and decided according to post-service or pre-service timeframes, whichever applies.

How to Appeal a Claim Decision

If you disagree with a pre-service or post-service claim determination after following the above steps, you can contact the applicable Claims Administrator in writing to formally request an appeal. Your first appeal request must be submitted to the Claims Administrator within 180 days after you receive the Claim denial.

Appeal Process

A qualified individual who was not involved in the decision being appealed will be appointed to decide the appeal. The Claims Administrator may consult with, or seek the participation of, medical experts as part of the appeal resolution process. You must consent to this referral and the sharing of pertinent medical claim information. Upon written request and free of charge you have the right to reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Appeals Determinations

Pre-Service and Post-Service Claim Appeals

You will be provided written or electronic notification of the decision on your appeal as follows:

- For appeals of pre-service claims, the first-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 15 days from receipt of a request for appeal of a denied Claim. The second-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 15 days from receipt of a request for review of the first-level appeal decision.
- For appeals of post-service claims, the first-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 30 days from receipt of a request for appeal of a denied claim. The second-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 30 days from receipt of a request for review of the first-level appeal decision.
- For procedures associated with urgent Claims, refer to the following "Urgent Claim Appeals That Require Immediate Action" section.
- If you are not satisfied with the first-level appeal decision of the Claims Administrator, you have the right to request a second-level appeal from the Claims Administrator. Your second level appeal request must be submitted to the Claims Administrator in writing within 60 days from receipt of the first-level appeal decision.
- For pre-service and post-service claim appeals, the Plan Administrator has delegated to the Claims Administrator the exclusive right to interpret and administer the provisions of the Plan. The Claims Administrator's decisions are conclusive and binding.

Please note that the Claims Administrator's decision is based only on whether or not benefits are available under the Plan for the proposed treatment or procedure. The determination as to whether the pending health service is necessary or appropriate is between you and your physician.

Urgent Claim Appeals That Require Immediate Action

Your appeal may require immediate action if a delay in treatment could significantly increase the risk to your health or the ability to regain maximum function or cause severe pain.

In these urgent situations, the appeal does not need to be submitted in writing. You or your physician should call the Claims Administrator as soon as possible. The Claims Administrator will provide you with a written or electronic determination within 72 hours following receipt by the Claims Administrator of your request for review of the determination taking into account the seriousness of your condition.

For urgent claim appeals, the Plan Administrator has delegated to the applicable Claims Administrator the exclusive right to interpret and administer the provisions of the Plan. The Claims Administrator's decisions are conclusive and binding.

In any case, a Participant or Beneficiary may have further rights under ERISA. The Plan provisions require that Participants or Beneficiary pursue and exhaust all claim and appeal rights described in this section before they seek any other legal recourse regarding claims for benefits.

APPENDIX C

DISCLOSURE OF GRANDFATHERED STATUS

MODEL NOTICE

AT&T, as plan sponsor, believes this Plan is a “grandfathered health plan” under the Patient Protection and Affordable Care Act (the “Affordable Care Act”). As permitted by the Affordable Care Act, a grandfathered health plan can preserve certain basic health coverage that was already in effect when that law was enacted. Being a grandfathered health plan means that the plan may not include certain consumer protections of the Affordable Care Act that apply to other plans, for example, the requirement for the provision of preventive health services without any cost sharing. However, grandfathered health plans must comply with certain other consumer protections of the Affordable Care Act, for example, the elimination of lifetime limits on benefits.

Questions regarding which protections apply and which protections do not apply to a grandfathered health plan and what might cause a plan to change from grandfathered health plan status can be directed to the plan administrator at P.O. Box 30558, Salt Lake City, Utah 84130-0558**.** You may also contact the Employee Benefits Security Administration, U.S. Department of labor at 1-866-444-3272 or www.dol.gov/ebsa/healthreform. This website has a table summarizing which protections do and do not apply to grandfathered health plans.

APPENDIX D

Notwithstanding the provisions and limitations of Section 2.15 of the Plan, the following Officers shall be included in the term “Eligible Employee” and shall be eligible to participate in the Plan (along with any Dependents) subject to all applicable provisions of the Plan:

Name	**Title**	**Effective Date of Participation**
David McAtee	Senior Executive Vice President & General Counsel	February 1, 2018

Exhibit 31.1

CERTIFICATION

I, John T. Stankey, certify that:

1. I have reviewed this report on Form 10-Q of AT&T Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ John T. Stankey
John T. Stankey
Chief Executive Officer and
President

Exhibit 31.2

CERTIFICATION

I, John J. Stephens, certify that:

1. I have reviewed this report on Form 10-Q of AT&T Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ John J. Stephens

John J. Stephens
Senior Executive Vice President
and Chief Financial Officer

Certification of Periodic Financial Reports

Pursuant to 18 U.S.C. Section 1350, each of the undersigned officers of AT&T Inc. (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 5, 2020

By: /s/ John T. Stankey
John T. Stankey
Chief Executive Officer
and President

November 5, 2020

By: /s/ John J. Stephens
John J. Stephens
Senior Executive Vice President
and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document. This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act") or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent this Exhibit 32 is expressly and specifically incorporated by reference in any such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to AT&T Inc. and will be retained by AT&T Inc. and furnished to the Securities and Exchange Commission or its staff upon request.