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, 2021

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. 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
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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 29, 2021, there were 7,141 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,	
	2021	2020	**2021**	2020
Operating Revenues				
Service	**$ 34,843**	$ 37,782	**$ 112,303**	$ 113,716
Equipment	**5,079**	4,558	**15,603**	12,353
Total operating revenues	**39,922**	42,340	**127,906**	126,069
Operating Expenses				
Cost of revenues				
Equipment	**5,427**	4,552	**16,324**	12,622
Broadcast, programming and operations	**4,750**	6,912	**19,891**	19,555
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**7,649**	8,375	**23,797**	24,833
Selling, general and administrative	**9,207**	9,266	**27,950**	27,857
Asset impairments and abandonments	**161**	73	**4,716**	2,515
Depreciation and amortization	**5,619**	7,030	**17,189**	21,537
Total operating expenses	**32,813**	36,208	**109,867**	108,919
Operating Income	**7,109**	6,132	**18,039**	17,150
Other Income (Expense)				
Interest expense	**(1,667)**	(1,972)	**(5,221)**	(6,031)
Equity in net income (loss) of affiliates	**91**	5	**184**	(11)
Other income (expense) — net	**2,279**	(231)	**7,499**	1,589
Total other income (expense)	**703**	(2,198)	**2,462**	(4,453)
Income Before Income Taxes	**7,812**	3,934	**20,501**	12,697
Income tax expense	**1,539**	766	**4,412**	3,003
Net Income	**6,273**	3,168	**16,089**	9,694
Less: Net Income Attributable to Noncontrolling Interest	**(355)**	(352)	**(1,051)**	(987)
Net Income Attributable to AT&T	**$ 5,918**	$ 2,816	**$ 15,038**	$ 8,707
Less: Preferred Stock Dividends	**(50)**	(54)	**(156)**	(138)
Net Income Attributable to Common Stock	**$ 5,868**	$ 2,762	**$ 14,882**	$ 8,569
Basic Earnings Per Share Attributable to Common Stock	**$ 0.82**	$ 0.39	**$ 2.07**	$ 1.19
Diluted Earnings Per Share Attributable to Common Stock	**$ 0.82**	$ 0.39	**$ 2.07**	$ 1.19
Weighted Average Number of Common Shares Outstanding — Basic (in millions)	**7,171**	7,147	**7,167**	7,160
Weighted Average Number of Common Shares Outstanding — with Dilution (in millions)	**7,202**	7,173	**7,197**	7,186

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,	
	2021	2020	**2021**	2020
Net income	**$ 6,273**	$ 3,168	**$ 16,089**	$ 9,694
Other comprehensive income (loss), net of tax:				
Foreign currency:				
Translation adjustment (includes $(4), $(2), $(2) and $(61) attributable to noncontrolling interest), net of taxes of $(17), $47, $(13) and $(150)	**(86)**	90	**106**	(1,459)
Securities:				
Net unrealized gains (losses), net of taxes of $(1), $1, $(13) and $28	**(4)**	1	**(39)**	81
Reclassification adjustment included in net income, net of taxes of $0, $0, $(1) and $0	**(1)**	—	**(4)**	—
Derivative instruments:				
Net unrealized gains (losses), net of taxes of $(54), $229, $(160) and $(574)	**(195)**	860	**(593)**	(2,166)
Reclassification adjustment included in net income, net of taxes of $4, $7, $16 and $11	**11**	27	**57**	44
Defined benefit postretirement plans:				
Amortization of net prior service credit included in net income, net of taxes of $(165), $(150), $(495) and $(451)	**(505)**	(460)	**(1,516)**	(1,382)
Other comprehensive income (loss)	**(780)**	518	**(1,989)**	(4,882)
Total comprehensive income	**5,493**	3,686	**14,100**	4,812
Less: Total comprehensive income attributable to noncontrolling interest	**(351)**	(350)	**(1,049)**	(926)
Total Comprehensive Income Attributable to AT&T	**$ 5,142**	$ 3,336	**$ 13,051**	$ 3,886

See Notes to Consolidated Financial Statements.

AT&T INC.

CONSOLIDATED BALANCE SHEETS

Dollars in millions except per share amounts

	September 30, 2021	December 31, 2020
Assets	**(Unaudited)**	
Current Assets		
Cash and cash equivalents	**$ 21,270**	$ 9,740
Accounts receivable – net of related allowances for credit loss of $806 and $1,221	**16,304**	20,215
Inventories	**3,088**	3,695
Prepaid and other current assets	**16,568**	18,358
Total current assets	**57,230**	52,008
Noncurrent Inventories and Theatrical Film and Television Production Costs	**17,811**	14,752
Property, plant and equipment	**325,866**	327,751
Less: accumulated depreciation and amortization	**(201,447)**	(200,436)
Property, Plant and Equipment – Net	**124,419**	127,315
Goodwill	**133,663**	135,259
Licenses – Net	**112,423**	93,840
Trademarks and Trade Names – Net	**22,097**	23,297
Distribution Networks – Net	**12,408**	13,793
Other Intangible Assets – Net	**12,338**	15,386
Investments in and Advances to Equity Affiliates	**8,629**	1,780
Operating Lease Right-Of-Use Assets	**24,341**	24,714
Other Assets	**21,748**	23,617
Total Assets	**$ 547,107**	$ 525,761
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	**$ 23,755**	$ 3,470
Note payable to DIRECTV	**1,180**	—
Accounts payable and accrued liabilities	**47,926**	50,051
Advanced billings and customer deposits	**4,991**	6,176
Dividends payable	**3,749**	3,741
Total current liabilities	**81,601**	63,438
Long-Term Debt	**155,406**	153,775
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**63,405**	60,472
Postemployment benefit obligation	**14,158**	18,276
Operating lease liabilities	**21,510**	22,202
Other noncurrent liabilities	**29,466**	28,358
Noncurrent portion of note payable to DIRECTV	**258**	—
Total deferred credits and other noncurrent liabilities	**128,797**	129,308
Stockholders' Equity		
Preferred stock ($1 par value, 10,000,000 authorized at September 30, 2021 and December 31, 2020):		
Series A (48,000 issued and outstanding at September 30, 2021 and December 31, 2020)	**—**	—
Series B (20,000 issued and outstanding at September 30, 2021 and December 31, 2020)	**—**	—
Series C (70,000 issued and outstanding at September 30, 2021 and December 31, 2020)	**—**	—
Common stock ($1 par value, 14,000,000,000 authorized at September 30, 2021 and December 31, 2020: issued 7,620,748,598 at September 30, 2021 and December 31, 2020)	**7,621**	7,621
Additional paid-in capital	**130,035**	130,175
Retained earnings	**41,091**	37,457
Treasury stock (480,656,332 at September 30, 2021 and 494,826,583 at December 31, 2020, at cost)	**(17,319)**	(17,910)
Accumulated other comprehensive income	**2,343**	4,330
Noncontrolling interest	**17,532**	17,567
Total stockholders' equity	**181,303**	179,240
Total Liabilities and Stockholders' Equity	**$ 547,107**	$ 525,761

See Notes to Consolidated Financial Statements.

AT&T INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in millions

(Unaudited)

	Nine months ended September 30,	
	2021	2020
Operating Activities		
Net income	**$ 16,089**	$ 9,694
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**17,189**	21,537
Amortization of film and television costs	**8,421**	6,448
Distributed (undistributed) earnings from investments in equity affiliates	**102**	108
Provision for uncollectible accounts	**858**	1,611
Deferred income tax expense	**3,187**	2,248
Net (gain) loss on investments, net of impairments	**(965)**	(689)
Pension and postretirement benefit expense (credit)	**(2,870)**	(2,245)
Actuarial (gain) loss on pension and postretirement benefits	**(3,021)**	63
Asset impairments and abandonments	**4,716**	2,515
Changes in operating assets and liabilities:		
Receivables	**57**	2,321
Other current assets, inventories and theatrical film and television production costs	**(11,928)**	(7,836)
Accounts payable and other accrued liabilities	**(2,254)**	(4,905)
Equipment installment receivables and related sales	**715**	(148)
Deferred customer contract acquisition and fulfillment costs	**316**	453
Postretirement claims and contributions	**(425)**	(409)
Other - net	**516**	2,282
Total adjustments	**14,614**	23,354
Net Cash Provided by Operating Activities	**30,703**	33,048
Investing Activities		
Capital expenditures	**(12,696)**	(13,283)
Acquisitions, net of cash acquired	**(23,533)**	(1,215)
Dispositions	**9,086**	428
Other - net	**(190)**	344
Net Cash Used in Investing Activities	**(27,333)**	(13,726)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**630**	(17)
Issuance of other short-term borrowings	**17,476**	9,440
Repayment of other short-term borrowings	**(2,448)**	(7,710)
Issuance of long-term debt	**9,931**	31,987
Repayment of long-term debt	**(1,653)**	(37,583)
Note payable to DIRECTV, net of payments of $361	**1,439**	—
Payment of vendor financing	**(4,013)**	(1,965)
Issuance of preferred stock	**—**	3,869
Purchase of treasury stock	**(191)**	(5,483)
Issuance of treasury stock	**89**	88
Issuance of preferred interests in subsidiaries	**—**	1,979
Dividends paid	**(11,319)**	(11,215)
Other - net	**(1,776)**	(5,158)
Net Cash Provided by (Used in) Financing Activities	**8,165**	(21,768)
Net increase (decrease) in cash and cash equivalents and restricted cash	**11,535**	(2,446)
Cash and cash equivalents and restricted cash beginning of year	**9,870**	12,295
Cash and Cash Equivalents and Restricted Cash End of Period	**$ 21,405**	$ 9,849

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, 2021		September 30, 2020		**September 30, 2021**		September 30, 2020	
	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		**$ 129,941**		$ 130,046		**$ 130,175**		$ 126,279
Repurchase and acquisition of common stock		**—**		—		**—**		67
Issuance of preferred stock		**—**		—		**—**		3,869
Issuance of treasury stock		**(2)**		(2)		**(77)**		(56)
Share-based payments		**96**		91		**(63)**		(24)
Changes related to acquisition of interests held by noncontrolling owners		**—**		4		**—**		4
Balance at end of period		**$ 130,035**		$ 130,139		**$ 130,035**		$ 130,139
Retained Earnings								
Balance at beginning of period		**$ 38,947**		$ 56,045		**$ 37,457**		$ 57,936
Cumulative effect of accounting change and other adjustments		**—**		—		**—**		(293)
Adjusted beginning balance		**38,947**		56,045		**37,457**		57,643
Net income attributable to AT&T		**5,918**		2,816		**15,038**		8,707
Preferred stock dividends		**(36)**		(35)		**(188)**		(103)
Common stock dividends ($0.52, $0.52, $1.56 and $1.56 per share)		**(3,738)**		(3,732)		**(11,216)**		(11,153)
Balance at end of period		**$ 41,091**		$ 55,094		**$ 41,091**		$ 55,094

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, 2021		September 30, 2020		**September 30, 2021**		September 30, 2020	
	Shares	**Amount**	Shares	Amount	**Shares**	**Amount**	Shares	Amount
Treasury Stock								
Balance at beginning of period	**(481)**	**$ (17,332)**	(495)	$ (17,945)	**(495)**	**$ (17,910)**	(366)	$ (13,085)
Repurchase and acquisition of common stock	**(1)**	**(10)**	(1)	(19)	**(8)**	**(225)**	(149)	(5,600)
Reissuance of treasury stock	**1**	**23**	—	14	**22**	**816**	19	735
Balance at end of period	**(481)**	**$ (17,319)**	(496)	$ (17,950)	**(481)**	**$ (17,319)**	(496)	$ (17,950)
Accumulated Other Comprehensive Income Attributable to AT&T, net of tax								
Balance at beginning of period		**$ 3,119**		$ 129		**$ 4,330**		$ 5,470
Other comprehensive income attributable to AT&T		**(776)**		520		**(1,987)**		(4,821)
Balance at end of period		**$ 2,343**		$ 649		**$ 2,343**		$ 649
Noncontrolling Interest								
Balance at beginning of period		**$ 17,550**		$ 17,557		**$ 17,567**		$ 17,713
Cumulative effect of accounting change and other adjustments		**—**		—		**—**		(7)
Adjusted beginning balance		**17,550**		17,557		**17,567**		17,706
Net income attributable to noncontrolling interest		**355**		352		**1,051**		987
Issuance and acquisition by noncontrolling owners		**—**		1,978		**—**		1,979
Distributions		**(369)**		(382)		**(1,084)**		(1,108)
Translation adjustments attributable to noncontrolling interest, net of taxes		**(4)**		(2)		**(2)**		(61)
Balance at end of period		**$ 17,532**		$ 19,503		**$ 17,532**		$ 19,503
Total Stockholders' Equity at beginning of period		**$ 179,846**		$ 193,453		**$ 179,240**		$ 201,934
Total Stockholders' Equity at end of period		**$ 181,303**		$ 195,056		**$ 181,303**		$ 195,056

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, 2020. 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.

On July 31, 2021, we closed our transaction with TPG Capital (TPG) to form a new company named DIRECTV Entertainment Holdings, LLC (DIRECTV). With the close of the transaction, we separated our Video business, comprised of our U.S. video operations, and began accounting for our investment in DIRECTV under the equity method. (See Note 8)

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 in our results on a one quarter lag. 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 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 (see Note 4 and Note 5).

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

NOTE 2. EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings per share for the three months and nine months ended September 30, 2021 and 2020, is shown in the table below:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Numerators				
Numerator for basic earnings per share:				
Net Income Attributable to Common Stock	**$ 5,868**	$ 2,762	**$ 14,882**	$ 8,569
Dilutive potential common shares:				
Share-based payment	**6**	5	**17**	16
Numerator for diluted earnings per share	**$ 5,874**	$ 2,767	**$ 14,899**	$ 8,585
Denominators (000,000)				
Denominator for basic earnings per share:				
Weighted average number of common shares outstanding	**7,171**	7,147	**7,167**	7,160
Dilutive potential common shares:				
Share-based payment (in shares)	**31**	26	**30**	26
Denominator for diluted earnings per share	**7,202**	7,173	**7,197**	7,186

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 (Loss)
Balance as of December 31, 2020	$ (3,926)	$ 111	$ (779)	$ 8,924	$ 4,330
Other comprehensive income (loss) before reclassifications	108	(39)	(593)	—	(524)
Amounts reclassified from accumulated OCI	_ [1]	(4) [1]	57 [2]	(1,516) [3]	(1,463)
Net other comprehensive income (loss)	108	(43)	(536)	(1,516)	(1,987)
Balance as of September 30, 2021	**$ (3,818)**	**$ 68**	**$ (1,315)**	**$ 7,408**	**$ 2,343**

	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 (Loss)
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

[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 comprised of strategic business units or other operations 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 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 depreciation and amortization expenses incurred in operating contribution nor is it burdened by 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.

In the first quarter of 2021, we recast our segment results for all prior periods to reflect the following:
- *Communications segment* results were recast to remove the held-for-sale businesses, principally Video, instead reporting those results in Corporate and Other. Additionally, we refined the allocation of shared infrastructure and deferred customer acquisition costs between Consumer Wireline and Video.
- *WarnerMedia segment* results reflect our operation of WarnerMedia as one integrated organization.

The ***Communications segment*** provides wireless and wireline telecom and broadband services to 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.
- **Business Wireline** provides advanced IP-based services, as well as traditional voice and data services and related equipment to business customers.
- **Consumer Wireline** provides internet, including broadband fiber, and legacy telephony voice communication services to residential customers.

The ***WarnerMedia segment*** develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. WarnerMedia content is distributed through basic networks, Direct-to-Consumer (DTC) or theatrical, TV content and games licensing. Segment results also include Xandr advertising and Otter Media Holdings (Otter Media). We disposed of substantially all Otter Media assets in the third quarter of 2021 (see Note 8).

On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery Inc. (See Note 8)

Effective January 1, 2021, we updated our reporting units to reflect recent changes in how WarnerMedia, an integrated content organization that distributes across various platforms, is managed and evaluated. With this operational change, the reporting unit is deemed to be the operating segment. The previous reporting units, Turner, Home Box Office, Warner Bros., and Xandr, and the new WarnerMedia reporting unit were tested for goodwill impairment on January 1, 2021, for which there was none.

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.

On July 21, 2021, we entered into an agreement to sell our Vrio business to Grupo Werthein (see Note 8). The transaction is expected to close during the fourth quarter of 2021. We applied held-for-sale accounting to Vrio as of June 30, 2021, and continue to present the Vrio results within the Latin America segment consistent with how performance was assessed and resource allocation decisions were made through September 30, 2021.

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." Costs previously allocated to the Video business that were retained after the transaction, net of reimbursements from DIRECTV under transition service agreements, are reported in Corporate for the remainder of 2021, to maintain comparability of our operating segment results, and while operational plans and continued cost reduction initiatives are implemented.
- *Video,* which consisted of our former U.S. video operations that were contributed to DIRECTV on July 31, 2021.
- *Acquisition-related items*, which consists of items associated with the merger and integration of acquired or divested businesses, including amortization of intangible assets.
- *Certain significant items*, which includes (1) employee separation charges associated with voluntary and/or strategic offers, (2) asset impairments and abandonments, 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 Video prior to its separation, 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, 2021

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	**$ 19,138**	**$ 11,148**	**$ 7,990**	**$ 2,035**	**$ 5,955**	**$ —**	**$ 5,955**
Business Wireline	**5,938**	**3,649**	**2,289**	**1,304**	**985**	**—**	**985**
Consumer Wireline	**3,142**	**2,184**	**958**	**775**	**183**	**—**	**183**
Total Communications	**28,218**	**16,981**	**11,237**	**4,114**	**7,123**	**—**	**7,123**
WarnerMedia	**8,442**	**6,271**	**2,171**	**163**	**2,008**	**(73)**	**1,935**
Latin America							
Vrio	**756**	**660**	**96**	**—**	**96**	**9**	**105**
Mexico	**724**	**697**	**27**	**157**	**(130)**	**—**	**(130)**
Total Latin America	**1,480**	**1,357**	**123**	**157**	**(34)**	**9**	**(25)**
Segment Total	**38,140**	**24,609**	**13,531**	**4,434**	**9,097**	**$ (64)**	**$ 9,033**
Corporate and Other							
Corporate[1]	**278**	**1,109**	**(831)**	**129**	**(960)**		
Video	**2,149**	**1,731**	**418**	**44**	**374**		
Acquisition-related items	**—**	**130**	**(130)**	**1,012**	**(1,142)**		
Certain significant items	**—**	**161**	**(161)**	**—**	**(161)**		
Eliminations and consolidations	**(645)**	**(546)**	**(99)**	**—**	**(99)**		
AT&T Inc.	**$ 39,922**	**$ 27,194**	**$ 12,728**	**$ 5,619**	**$ 7,109**		

[1] Operations and Support Expenses include $670 for the reclassification of prior service credit amortization.

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
Business Wireline	6,261	3,764	2,497	1,313	1,184	—	1,184
Consumer Wireline	3,040	2,117	923	734	189	—	189
Total Communications	27,195	16,063	11,132	4,068	7,064	—	7,064
WarnerMedia	7,395	5,483	1,912	169	1,743	12	1,755
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	35,986	22,883	13,103	4,487	8,616	$ 26	$ 8,642
Corporate and Other							
Corporate[1]	628	1,175	(547)	65	(612)		
Video	7,014	5,887	1,127	557	570		
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		

[1] Operations and Support Expenses include $610 for the reclassification of prior service credit amortization.

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

For the nine months ended September 30, 2021

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	**$ 57,108**	**$ 33,077**	**$ 24,031**	**$ 6,072**	**$ 17,959**	**$ —**	**$ 17,959**
Business Wireline	**18,036**	**11,068**	**6,968**	**3,875**	**3,093**	**—**	**3,093**
Consumer Wireline	**9,380**	**6,298**	**3,082**	**2,306**	**776**	**—**	**776**
Total Communications	**84,524**	**50,443**	**34,081**	**12,253**	**21,828**	**—**	**21,828**
WarnerMedia	**25,759**	**19,608**	**6,151**	**491**	**5,660**	**44**	**5,704**
Latin America							
Vrio	**2,248**	**1,981**	**267**	**231**	**36**	**7**	**43**
Mexico	**2,043**	**1,984**	**59**	**452**	**(393)**	**—**	**(393)**
Total Latin America	**4,291**	**3,965**	**326**	**683**	**(357)**	**7**	**(350)**
Segment Total	**114,574**	**74,016**	**40,558**	**13,427**	**27,131**	**$ 51**	**$ 27,182**
Corporate and Other							
Corporate[1]	**1,065**	**3,482**	**(2,417)**	**194**	**(2,611)**		
Video	**15,513**	**12,666**	**2,847**	**356**	**2,491**		
Acquisition-related items	**—**	**167**	**(167)**	**3,212**	**(3,379)**		
Certain significant items	**—**	**4,773**	**(4,773)**	**—**	**(4,773)**		
Eliminations and consolidations	**(3,246)**	**(2,426)**	**(820)**	**—**	**(820)**		
AT&T Inc.	**$ 127,906**	**$ 92,678**	**$ 35,228**	**$ 17,189**	**$ 18,039**		

[1] Operations and Support Expenses include $2,011 for the reclassification of prior service credit amortization.

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
Business Wireline	18,832	11,365	7,467	3,900	3,567	—	3,567
Consumer Wireline	9,202	5,924	3,278	2,176	1,102	—	1,102
Total Communications	80,479	46,372	34,107	12,154	21,953	—	21,953
WarnerMedia	21,888	15,744	6,144	494	5,650	31	5,681
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	106,585	66,149	40,436	13,421	27,015	$ 57	$ 27,072
Corporate and Other							
Corporate[1]	1,751	3,256	(1,505)	254	(1,759)		
Video	21,442	17,716	3,726	1,741	1,985		
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		

[1] Operations and Support Expenses include $1,833 for the reclassification of prior service credit amortization.

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 in our consolidated statements of income:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Communications	**$ 7,123**	$ 7,064	**$ 21,828**	$ 21,953
WarnerMedia	**1,935**	1,755	**5,704**	5,681
Latin America	**(25)**	(177)	**(350)**	(562)
Segment Contribution	**9,033**	8,642	**27,182**	27,072
Reconciling Items:				
Corporate and Other	**(960)**	(612)	**(2,611)**	(1,759)
Video	**374**	570	**2,491**	1,985
Merger costs	**(130)**	(38)	**(167)**	(431)
Amortization of intangibles acquired	**(1,012)**	(1,921)	**(3,212)**	(6,122)
Asset impairments and abandonments	**(161)**	(73)	**(4,716)**	(2,515)
Gain on spectrum transaction[1]	**—**	—	**—**	900
Employee separation costs and benefit-related losses	**—**	(40)	**(57)**	(924)
Segment equity in net income of affiliates	**64**	(26)	**(51)**	(57)
Eliminations and consolidations	**(99)**	(370)	**(820)**	(999)
AT&T Operating Income	**7,109**	6,132	**18,039**	17,150
Interest Expense	**1,667**	1,972	**5,221**	6,031
Equity in net income (loss) of affiliates	**91**	5	**184**	(11)
Other income (expense) - net	**2,279**	(231)	**7,499**	1,589
Income Before Income Taxes	**$ 7,812**	$ 3,934	**$ 20,501**	$ 12,697

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

The following tables presents intersegment revenues and assets by segment:

Intersegment Reconciliation

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Intersegment Revenues				
Communications	**$ 2**	$ 3	**$ 8**	$ 7
WarnerMedia	**515**	812	**2,193**	2,402
Latin America	**—**	—	**—**	—
Total Intersegment Revenues	**517**	815	**2,201**	2,409
Consolidations	**128**	473	**1,045**	1,300
Eliminations and consolidations	**$ 645**	$ 1,288	**$ 3,246**	$ 3,709

NOTE 5. REVENUE RECOGNITION

Revenue Categories
The following tables set forth reported revenue by category and by business unit, prior period amounts have been recast to conform to the current period presentation with our first quarter 2021 segment updates (see Note 4).

For the three months ended September 30, 2021

	Communications							
	Mobility	Business Wireline	Consumer Wireline	WarnerMedia	Latin America	Corporate & Other	Elim.	Total
Wireless service	$ 14,450	$ —	$ —	$ —	$ 463	$ 28	$ —	$ 14,941
Video service	—	—	—	—	756	2,041	—	2,797
Business service	—	5,765	—	—	—	—	—	5,765
Broadband	—	—	2,290	—	—	—	—	2,290
Subscription	—	—	—	3,988	—	—	—	3,501
DTC (HBO Max)[1]	—	—	—	—	—	—	(261)	
Other[2]	—	—	—	—	—	—	(226)	
Content	—	—	—	3,495	—	—	—	2,783
DTC (HBO Max)[3]	—	—	—	(413)	—	—	—	
Other[3]	—	—	—	(299)	—	—	—	
Advertising	77	—	—	1,401	—	111	(111)	1,478
Legacy voice and data	—	—	484	—	—	97	—	581
Other	—	—	351	270	—	133	(47)	707
Total Service	14,527	5,765	3,125	8,442	1,219	2,410	(645)	34,843
Equipment	4,611	173	17	—	261	17	—	5,079
Total	$ 19,138	$ 5,938	$ 3,142	$ 8,442	$ 1,480	$ 2,427	$ (645)	$ 39,922

[1] Represents DTC (HBO Max) intercompany sales to the Communications segment ($174 with Mobility and $87 with Consumer Wireline).

[2] Represents intercompany video distribution arrangements primarily to DIRECTV/U-verse from WarnerMedia prior to August 1, 2021 (see Note 11).

[3] Represents intercompany transactions in the WarnerMedia segment.

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

For the three months ended September 30, 2020

	Communications							
	Mobility	Business Wireline	Consumer Wireline	WarnerMedia	Latin America	Corporate & Other	Elim.	Total
Wireless service	$ 13,811	$ —	$ —	$ —	$ 385	$ 169	$ —	$ 14,365
Video service	—	—	—	—	753	6,557	—	7,310
Business service	—	6,079	—	—	—	88	—	6,167
Broadband	—	—	2,128	—	—	—	—	2,128
Subscription	—	—	—	3,477	—	—	—	2,687
DTC (HBO Max)[1]	—	—	—	—	—	—	(190)	
Other[2]	—	—	—	—	—	—	(600)	
Content	—	—	—	2,618	—	—	—	2,108
DTC (HBO Max)[3]	—	—	—	(199)	—	—	—	
Other[3]	—	—	—	(311)	—	—	—	
Advertising	72	—	—	1,600	—	408	(408)	1,672
Legacy voice and data	—	—	538	—	—	137	—	675
Other	—	—	372	210	—	178	(90)	670
Total Service	13,883	6,079	3,038	7,395	1,138	7,537	(1,288)	37,782
Equipment	4,011	182	2	—	258	105	—	4,558
Total	$ 17,894	$ 6,261	$ 3,040	$ 7,395	$ 1,396	$ 7,642	$ (1,288)	$ 42,340

[1] Represents DTC (HBO Max) intercompany sales to the Communications segment ($116 with Mobility and $74 with Consumer Wireline).

[2] Represents intercompany video distribution arrangements primarily to DIRECTV/U-verse from WarnerMedia.

[3] Represents intercompany transactions in the WarnerMedia segment.

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

For the nine months ended September 30, 2021

	Communications							
	Mobility	Business Wireline	Consumer Wireline	WarnerMedia	Latin America	Corporate & Other	Elim.	Total
Wireless service	$ 42,667	$ —	$ —	$ —	$ 1,349	$ 65	$ —	$ 44,081
Video service	—	—	—	—	2,248	14,534	—	16,782
Business service	—	17,497	—	—	—	70	—	17,567
Broadband	—	—	6,761	—	—	—	—	6,761
Subscription	—	—	—	11,779	—	—	—	9,649
DTC (HBO Max)[1]	—	—	—	—	—	—	(749)	
Other[2]	—	—	—	—	—	—	(1,381)	
Content	—	—	—	10,411	—	—	—	8,440
DTC (HBO Max)[3]	—	—	—	(1,136)	—	—	—	
Other[3]	—	—	—	(835)	—	—	—	
Advertising	254	—	—	4,877	—	909	(909)	5,131
Legacy voice and data	—	—	1,507	—	—	334	—	1,841
Other	—	—	1,019	663	—	576	(207)	2,051
Total Service	42,921	17,497	9,287	25,759	3,597	16,488	(3,246)	112,303
Equipment	14,187	539	93	—	694	90	—	15,603
Total	$ 57,108	$ 18,036	$ 9,380	$ 25,759	$ 4,291	$ 16,578	$ (3,246)	$ 127,906

[1] Represents DTC (HBO Max) intercompany sales to the Communications segment ($481 with Mobility and $268 with Consumer Wireline).

[2] Represents intercompany video distribution arrangements primarily to DIRECTV/U-verse from WarnerMedia prior to August 1, 2021 (see Note 11).

[3] Represents intercompany transactions in the WarnerMedia segment.

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

For the nine months ended September 30, 2020

	Communications							
	Mobility	Business Wireline	Consumer Wireline	WarnerMedia	Latin America	Corporate & Other	Elim.	Total
Wireless service	$ 41,314	$ —	$ —	$ —	$ 1,197	$ 464	$ —	$ 42,975
Video service	—	—	—	—	2,392	20,226	—	22,618
Business service	—	18,271	—	—	—	243	—	18,514
Broadband	—	—	6,329	—	—	—	—	6,329
Subscription	—	—	—	10,142	—	—	—	7,793
DTC (HBO Max)[1]	—	—	—	—	—	—	(251)	
Other[2]	—	—	—	—	—	—	(2,098)	
Content	—	—	—	9,615	—	—	—	6,988
DTC (HBO Max)[3]	—	—	—	(1,848)	—	—	—	
Other[3]	—	—	—	(779)	—	—	—	
Advertising	206	—	—	4,236	—	1,115	(1,115)	4,442
Legacy voice and data	—	—	1,679	—	—	424	—	2,103
Other	—	—	1,189	522	—	488	(245)	1,954
Total Service	41,520	18,271	9,197	21,888	3,589	22,960	(3,709)	113,716
Equipment	10,925	561	5	—	629	233	—	12,353
Total	$ 52,445	$ 18,832	$ 9,202	$ 21,888	$ 4,218	$ 23,193	$ (3,709)	$ 126,069

[1] Represents DTC (HBO Max) intercompany sales to the Communications segment ($153 with Mobility and $98 with Consumer Wireline).

[2] Represents intercompany video distribution arrangements primarily to DIRECTV/U-verse from WarnerMedia.

[3] Represents intercompany transactions in the WarnerMedia segment.

Deferred Customer Contract Acquisition and Fulfillment Costs
Costs to acquire and fulfill customer contracts, including commissions on service activations, for our wireless, business wireline, consumer wireline and video 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, 2021**	December 31, 2020
Deferred Acquisition Costs		
Prepaid and other current assets	**$ 2,615**	$ 3,087
Other Assets	**3,056**	3,198
Total deferred customer contract acquisition costs	**$ 5,671**	$ 6,285
Deferred Fulfillment Costs		
Prepaid and other current assets	**$ 2,611**	$ 4,118
Other Assets	**4,196**	5,634
Total deferred customer contract fulfillment costs	**$ 6,807**	$ 9,752

The decline in deferred acquisition and fulfillment costs from December 31, 2020 reflects the July 2021 separation of the U.S. Video business. At separation, we removed $1,218 of deferred acquisitions costs ($693 originally classified as "Prepaid and other current assets" and $525 originally classified as "Other assets") and $2,025 of deferred fulfillment costs ($1,134 originally classified as "Prepaid and other current assets" and $891 originally classified as "Other assets"). (See Note 8)

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, 2021**	September 30, 2020
Deferred acquisition cost amortization	**$ 2,358**	$ 1,969
Deferred fulfillment cost amortization	**3,290**	3,888

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.

Our contract assets primarily relate to our wireless businesses. Promotional equipment sales where we offer handset credits, which are allocated between equipment and service in proportion to their standalone selling prices, when customers commit to a specified service period result in additional contract assets recognized. These contract assets will amortize over the service contract period, resulting in lower future service revenue.

When consideration is received in advance of the delivery of goods or services, a contract liability is recorded. 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, 2021**	December 31, 2020
Contract asset	**$ 3,889**	$ 3,501
Current portion in "Prepaid and other current assets"	**2,329**	2,054
Contract liability	**5,385**	6,879
Current portion in "Advanced billings and customer deposits"	**4,779**	6,071
Current portion in "Accounts payable and accrued liabilities"	**74**	—

Our beginning of period contract liability recorded as customer contract revenue during 2021 was $5,150.

Changes in our contract asset and contract liability from December 31, 2020 include the impact of the July 2021 separation of the U.S. Video business. At separation, the contract asset was reduced $303 and the contract liability was reduced $1,098, both of which were predominantly the current portion. (See Note 8)

Remaining Performance Obligations
Remaining performance obligations primarily relate to our Communications segment and 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 our WarnerMedia segment, the most significant remaining performance obligations relate to the licensing of theatrical and television content which will be made available to customers at some point in the future. 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, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations was $42,106, of which we expect to recognize approximately 74% by the end of 2022, 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 2021.

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. Total distributions from the pension plan exceeded the threshold of service and interest costs for 2021, requiring us to follow settlement accounting and remeasure our pension benefit plan assets and obligations at each quarter-end in 2021, as we expected settlements to occur during each quarter. These remeasurements resulted in the recognition of actuarial gains of $374 in the third quarter and $3,021 for the nine months ended September 30, 2021.

As part of our 2021 remeasurements, the weighted-average discount rate used to measure our pension benefit obligation remained consistent at 3.00% at September 30, 2021 as compared to June 30, 2021, increasing from 2.70% at December 31, 2020. The discount rate in effect for determining pension service and interest costs after our September 30 remeasurement is 3.30% and 2.30% respectively. The remeasurements also reflect actual returns on pension plan assets of 6.30% (nine-month rate) relative to our expected long-term rate of 6.75% (annual rate).

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 (credit) cost 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,	
	2021	2020	**2021**	2020
Pension cost:				
Service cost – benefits earned during the period	**$ 241**	$ 257	**$ 723**	$ 772
Interest cost on projected benefit obligation	**321**	421	**951**	1,265
Expected return on assets	**(890)**	(888)	**(2,617)**	(2,667)
Amortization of prior service credit	**(36)**	(28)	**(108)**	(85)
Actuarial (gain) loss	**(374)**	—	**(3,021)**	—
Net pension (credit) cost	**$ (738)**	$ (238)	**$ (4,072)**	$ (715)
Postretirement cost:				
Service cost – benefits earned during the period	**$ 11**	$ 14	**$ 34**	$ 40
Interest cost on accumulated postretirement benefit obligation	**53**	104	**158**	312
Expected return on assets	**(38)**	(44)	**(114)**	(133)
Amortization of prior service credit	**(634)**	(583)	**(1,903)**	(1,747)
Net postretirement (credit) cost	**$ (608)**	$ (509)	**$ (1,825)**	$ (1,528)
Combined net pension and postretirement (credit) cost	**$ (1,346)**	$ (747)	**$ (5,897)**	$ (2,243)

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 $12 and $19 in the third quarter and $35 and $57 for the first nine months of 2021 and 2020, respectively.

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, 2020.

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, 2021		December 31, 2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Notes and debentures[1]	**$ 170,841**	**$ 197,467**	$ 155,209	$ 187,224
Commercial paper	**6,576**	**6,576**	—	—
Investment securities[2]	**3,282**	**3,282**	3,249	3,249

[1] Includes credit agreement borrowings. Excludes note payable to DIRECTV. Amounts at September 30, 2021 exclude $32 associated with Vrio, which were classified as held-for-sale (see Note 8).

[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, 2021 and December 31, 2020. Derivatives designated as hedging instruments are reflected as "Other assets," "Other noncurrent liabilities," "Prepaid and other current assets" and "Accounts payable and accrued liabilities" on our consolidated balance sheets.

	September 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity Securities				
Domestic equities	**$ 1,137**	**$ —**	**$ —**	**$ 1,137**
International equities	**212**	**—**	**—**	**212**
Fixed income equities	**231**	**—**	**—**	**231**
Available-for-Sale Debt Securities	**—**	**1,426**	**—**	**1,426**
Asset Derivatives				
Cross-currency swaps	**—**	**430**	**—**	**430**
Foreign exchange contracts	**—**	**2**	**—**	**2**
Liability Derivatives				
Cross-currency swaps	**—**	**(3,000)**	**—**	**(3,000)**
Foreign exchange contracts	**—**	**(36)**	**—**	**(36)**

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equity Securities				
Domestic equities	$ 1,010	$ —	$ —	$ 1,010
International equities	180	—	—	180
Fixed income equities	236	—	—	236
Available-for-Sale Debt Securities	—	1,479	—	1,479
Asset Derivatives				
Cross-currency swaps	—	1,721	—	1,721
Foreign exchange contracts	—	6	—	6
Liability Derivatives				
Cross-currency swaps	—	(1,814)	—	(1,814)
Foreign exchange contracts	—	(9)	—	(9)

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,	
	2021	2020	**2021**	2020
Total gains (losses) recognized on equity securities	**$ 9**	$ 64	**$ 151**	$ 22
Gains (Losses) recognized on equity securities sold	**(2)**	—	**(2)**	(24)
Unrealized gains (losses) recognized on equity securities held at end of period	**$ 11**	$ 64	**$ 153**	$ 46

At September 30, 2021, available-for-sale debt securities totaling $1,426 have maturities as follows - less than one year: $65; one to three years: $209; three to five years: $185; five or more years: $967.

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 "Prepaid and 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 cross-currency swaps as fair value hedges. The purpose of these contracts is to hedge foreign currency risk associated with changes in spot rates on foreign denominated debt. For these hedges we have elected to exclude the change in fair value of the cross-currency swap related to both time value and cross-currency basis spread from the assessment of hedge effectiveness.

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, including the earnings impact of excluded components. In instances where we have elected to exclude components from the assessment of hedge effectiveness related to fair value hedges, unrealized gains or losses on such excluded components are recorded as a component of accumulated OCI and recognized into earnings through the swap accrual over the life of the hedging instrument. 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. Except for excluded components, 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, 2021 and 2020, no ineffectiveness was measured on fair value hedges.

Cash Flow Hedging We designate most of 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.

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 $77 from accumulated OCI to "Interest expense" due to the amortization of net losses on historical interest rate locks.

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 sheets. Net gains on net investment hedges recognized in accumulated OCI in the third quarter were $40 and net gains for the first nine months of 2021 were $91.

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, 2021, we had posted collateral of $116 (a deposit asset) and held collateral of $189 (a receipt liability). Under the agreements, if AT&T's credit rating had been downgraded two ratings levels by Fitch Ratings, one level by S&P and one level by Moody's before the final collateral exchange in September, we would have been required to post additional collateral of $54. If AT&T's credit rating had been downgraded three 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 $2,536. At December 31, 2020, we had posted collateral of $53 (a deposit asset) and held collateral of $694 (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, 2021	December 31, 2020
Cross-currency swaps	**$ 42,085**	$ 40,745
Foreign exchange contracts	**191**	90
Total	**$ 42,276**	$ 40,835

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	**2021**	2020	**2021**	2020
Interest rate swaps (Interest expense):				
Gain (Loss) on interest rate swaps	**$ (1)**	$ (1)	**$ (3)**	$ (5)
Gain (Loss) on long-term debt	**1**	1	**3**	5
Cross-currency swaps:				
Gain (Loss) on cross-currency swaps	**(34)**	—	**(66)**	—
Gain (Loss) on long-term debt	**34**	—	**66**	—
Gain (Loss) recognized in accumulated OCI	**2**	—	**3**	—

In addition, the net swap settlements that accrued and settled in the periods above were offset against "Interest expense."

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	**2021**	2020	**2021**	2020
Cross-currency swaps:				
Gain (Loss) recognized in accumulated OCI	**$ (237)**	$ 1,079	**$ (742)**	$ (2,091)
Foreign exchange contracts:				
Gain (Loss) recognized in accumulated OCI	**(14)**	10	**(14)**	(1)
Other income (expense) - net reclassified from accumulated OCI into income	**7**	(9)	**(3)**	4
Interest rate locks:				
Gain (Loss) recognized in accumulated OCI	**—**	—	**—**	(648)
Interest income (expense) reclassified from accumulated OCI into income	**(22)**	(25)	**(70)**	(59)

NOTE 8. ACQUISITIONS, DISPOSITIONS AND OTHER ADJUSTMENTS

Acquisitions

Spectrum Auction On February 24, 2021, the Federal Communications Commission (FCC) announced that AT&T was the winning bidder for 1,621 C-Band licenses, comprised of a total of 80 MHz nationwide, including 40 MHz in Phase I. We provided to the FCC an upfront deposit of $550 in 2020 and cash payments totaling $22,856 in the first quarter of 2021, for a total of $23,406. We received the licenses in July 2021 and classified the auction deposits, related capitalized interest and billed relocation costs as "Licenses - Net" on our September 30, 2021 consolidated balance sheet. We estimate that we will be responsible for $955 of Incentive Payments upon clearing of Phase I spectrum, expected by the end of 2021, and $2,112 upon clearing of Phase II spectrum, expected by the end of 2023. Additionally, we are responsible for approximately $1,000 of compensable relocation costs over the next several years as the spectrum is being cleared by satellite operators, of which $650 was billed in the third quarter and paid in the fourth quarter of 2021. Cash paid, including spectrum deposits (net of refunds), capitalized interest, and any payments for incentive and relocation costs are included in "Acquisitions, net of cash acquired" on our consolidated statements of cash flows. Interest is capitalized until the spectrum is ready for its intended use. Funding for the purchase price of the spectrum included a combination of cash on hand and short-term investments, as well as short- and long-term debt.

Dispositions

Video Business On July 31, 2021, we closed our transaction with TPG to form a new company named DIRECTV, which is jointly governed by a board with representation from both AT&T and TPG, with TPG having tie-breaking authority on certain key decisions.

In connection with the transaction, we contributed our U.S. Video business unit to DIRECTV for $4,250 of junior preferred units, an additional distribution preference of $4,200 and a 70% economic interest in common units (collectively "equity considerations"). TPG contributed approximately $1,800 in cash to DIRECTV for $1,800 of senior preferred units and a 30% economic interest in common units. See Note 11 for additional information on our accounting for our investment in and transactions with DIRECTV.

In the third quarter, we received approximately $7,170 in cash from DIRECTV ($7,600, net of $430 cash on hand) and transferred $195 of DIRECTV debt. Approximately $1,800 of the cash received is reported as cash received from financing activities in our consolidated statement of cash flows, as it relates to a note payable to DIRECTV, for which payment is tied to our agreement to cover net losses under the remaining term of the NFL SUNDAY TICKET contract up to a cap of $2,100 over the remaining period of the contract. The remainder of the net proceeds is reported as cash from investing activities. This transaction did not result in a material gain or loss.

In the first quarter of 2021, we applied held-for-sale accounting treatment to the assets and liabilities of the U.S. video business, and, accordingly, included the assets in "Prepaid and other current assets," and the related liabilities in "Accounts payable and accrued liabilities," on our consolidated balance sheet, up until the close of the transaction. The held-for-sale classification also resulted in ceasing depreciation and amortization on the designated assets.

The assets and liabilities of the Video operations, transferred to DIRECTV upon close of the transaction, were as follows:

Current assets	$	**4,893**
Property, plant and equipment - net		**2,673**
Licenses, net		**5,798**
Other intangible assets, net		**1,634**
Other assets		**1,787**
Total Video assets	$	**16,785**

Current liabilities	$	**4,267**
Long-term debt		**206**
Other noncurrent liabilities		**343**
Total Video liabilities	$	**4,816**

Otter Media During the third quarter of 2021, we disposed of substantially all of the assets of Otter Media. We received approximately $1,540 in cash and removed approximately $1,200 of goodwill associated with these assets. The dispositions did not result in a material gain or loss.

Playdemic Ltd. On September 20, 2021, we sold WarnerMedia's mobile games app studio, Playdemic Ltd. (Playdemic) for approximately $1,400 in cash and recognized a pre-tax gain of $766 in "Other income (expense) - net," on our consolidated statement of income. Approximately $600 of goodwill was removed related to this business. Playdemic was excluded from the pending WarnerMedia/Discovery transaction.

Pending Dispositions
WarnerMedia On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery, Inc. (Discovery). The agreement is structured as a Reverse Morris Trust transaction, under which WarnerMedia will be distributed to AT&T's shareholders via a pro rata dividend, an exchange offer, or a combination of both, followed by its combination with Discovery. The transaction is expected to be tax-free to AT&T and AT&T's shareholders. AT&T will receive approximately $43,000 (subject to adjustment) in a combination of cash, debt securities, and WarnerMedia's retention of certain debt. AT&T's shareholders will receive stock representing approximately 71% of the new company; Discovery shareholders will own approximately 29% of the new company. The transaction is expected to close in mid-2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals. No vote is required by AT&T shareholders.

The merger agreement contains certain customary termination rights for AT&T and Discovery, including, without limitation, a right for either party to terminate if the transaction is not completed on or before July 15, 2023. Termination fees under specified circumstances will require Discovery to pay AT&T $720 or AT&T to pay Discovery $1,770.

Magallanes, Inc. (Spinco), a subsidiary of AT&T, entered into a $41,500 commitment letter (Bridge Loan) on May 17, 2021. On June 4, 2021, Spinco entered into a $10,000 term loan credit agreement (Spinco Term Loan) and reduced the aggregate commitment amount under the Bridge Loan to $31,500. There have been no draws on the Bridge Loan or the Spinco Term Loan. In the event advances are made under the Bridge Loan or Spinco Term Loan, those advances will be used by Spinco to finance a portion of the cash distribution to AT&T in connection with the transaction.

Vrio On July 21, 2021, we entered into an agreement to sell our Latin America video operations, Vrio, to Grupo Werthein. In the second quarter of 2021, we classified the Vrio disposal group as held-for-sale and reported the disposal group at fair value less cost to sell, which resulted in a noncash, pre-tax impairment charge of $4,555, including approximately $2,100 related to accumulated foreign currency translation adjustments and $2,500 related to property, plant and equipment and intangible assets. Approximately $80 of the impairment was attributable to noncontrolling interest. At September 30, 2021, our consolidated balance sheet included $853 of Vrio held-for-sale assets reported in "Prepaid and other current assets," primarily related to deferred customer contract acquisition and fulfillment costs, prepaids and other deferred charges, and $2,819 of related liabilities reported in "Accounts payable and accrued liabilities," primarily for reserves associated with accumulated foreign currency translation adjustments, which will reverse against accumulated other comprehensive income upon close of the transaction.

The transaction is expected to close during the fourth quarter of 2021, pending customary closing conditions. We will retain our 41.3% interest in SKY Mexico, a leading pay-TV provider in Mexico.

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, 2021		December 31, 2020	
	Equipment Installment	**Revolving**	Equipment Installment	Revolving
Gross receivables:	**$ 3,671**	**$ 3,371**	$ 5,565	$ 3,909
Balance sheet classification				
Accounts receivable				
Notes receivable	**1,746**	**—**	2,716	—
Trade receivables	**438**	**3,163**	554	3,715
Other Assets				
Noncurrent notes and trade receivables	**1,487**	**208**	2,295	194
Outstanding portfolio of receivables derecognized from our consolidated balance sheets	**9,380**	**5,562**	7,827	5,300
Cash proceeds received, net of remittances[1]	**6,588**	**5,562**	5,646	5,300

[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.

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

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, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Gross receivables sold	**$ 2,123**	$ 1,624	**$ 8,067**	$ 5,497
Net receivables sold[1]	**2,069**	1,578	**7,858**	5,300
Cash proceeds received	**1,981**	1,387	**7,231**	4,562
Deferred purchase price recorded	**158**	226	**864**	811
Guarantee obligation recorded	**94**	55	**321**	126

[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 and 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, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Fair value of repurchased receivables	**$ 471**	$ 373	**$ 1,094**	$ 946
Carrying value of deferred purchase price	**440**	373	**1,019**	931
Gain on repurchases[1]	**$ 31**	$ —	**$ 75**	$ 15

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

At September 30, 2021 and December 31, 2020, our deferred purchase price receivable was $2,797 and $1,991, respectively, of which $1,757 and $1,476 are included in “Prepaid and other current assets” on our consolidated balance sheets, with the remainder in “Other Assets.” The guarantee obligation at September 30, 2021 and December 31, 2020 was $352 and $228, respectively, of which $124 and $161 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
We have a revolving agreement to transfer up to $6,000 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. This agreement is subject to renewal on an annual basis and the transfer limit may be expanded or reduced from time to time. 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 $3,371 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,	
	2021	2020	**2021**	2020
Gross receivables sold/cash proceeds received[1]	**$ 4,472**	$ 3,563	**$ 14,813**	$ 11,590
Total collections under revolving agreement[2]	**4,631**	3,763	**14,381**	10,790
Receivables repurchased	**170**	—	**170**	—
Net cash proceeds received (paid)	**$ (329)**	$ (200)	**$ 262**	$ 800
Net receivables sold[3]	**$ 4,301**	$ 3,553	**$ 14,558**	$ 11,510
Obligations recorded (reversed)	**(60)**	58	**(49)**	172

[1] Includes initial sales of receivables of $0 for each of the three months and $700 and $1,000 for the nine months ended September 30, 2021 and 2020, respectively.

[2] Includes collections of $159 and $200 for the three months and $268 and $200 for the nine months ended September 30, 2021 and 2020, respectively, that were not reinvested under the revolving agreement.

[3] 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,	
	2021	2020	**2021**	2020
Operating lease cost	**$ 1,454**	$ 1,546	**$ 4,343**	$ 4,372
Finance lease cost:				
Amortization of right-of-use assets	**$ 59**	$ 76	**$ 198**	$ 216
Interest on lease obligation	**43**	39	**123**	116
Total finance lease cost	**$ 102**	$ 115	**$ 321**	$ 332

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

The following table provides supplemental cash flows information related to leases:

	Nine months ended September 30,	
	2021	2020
Cash Flows from Operating Activities		
Cash paid for amounts included in lease obligations:		
Operating cash flows for operating leases	**$ 3,754**	$ 3,651
Supplemental Lease Cash Flow Disclosures		
Operating lease right-of-use assets obtained in exchange for new operating lease obligations	**3,543**	3,908

The following tables set forth supplemental balance sheet information related to leases:

	September 30, 2021	December 31, 2020
Operating Leases		
Operating lease right-of-use assets	**$ 24,341**	$ 24,714
Accounts payable and accrued liabilities	**$ 3,675**	$ 3,537
Operating lease obligation	**21,510**	22,202
Total operating lease obligation	**$ 25,185**	$ 25,739
Finance Leases		
Property, plant and equipment, at cost	**$ 2,774**	$ 3,586
Accumulated depreciation and amortization	**(1,166)**	(1,361)
Property, plant and equipment, net	**$ 1,608**	$ 2,225
Current portion of long-term debt	**$ 169**	$ 189
Long-term debt	**1,574**	1,847
Total finance lease obligation	**$ 1,743**	$ 2,036

	September 30,	
	2021	2020
Weighted-Average Remaining Lease Term (years)		
Operating leases	**8.4**	8.5
Finance leases	**8.5**	10.1
Weighted-Average Discount Rate		
Operating leases	**3.8 %**	4.1 %
Finance leases	**8.0 %**	8.1 %

The following table provides the expected future minimum maturities of lease obligations:

At September 30, 2021	Operating Leases	Finance Leases
Remainder of 2021	$ 1,252	$ 84
2022	4,897	340
2023	4,467	315
2024	3,931	290
2025	3,211	281
Thereafter	12,734	1,466
Total lease payments	30,492	2,776
Less: imputed interest	(5,307)	(1,033)
Total	$ 25,185	$ 1,743

NOTE 11. INVESTMENT IN AND TRANSACTIONS WITH DIRECTV

On July 31, 2021, we closed our transaction with TPG to form a new company named DIRECTV (see Note 8). The transaction resulted in our deconsolidation of the Video Business, with DIRECTV being considered a variable interest entity for accounting purposes. As DIRECTV is jointly governed by a board with representation from both AT&T and TPG, with TPG having tie-breaking authority on certain key decisions, most significantly the appointment and removal of the CEO, we have concluded that we are not the primary beneficiary of DIRECTV. As a result, effective August 1, 2021, we accounted for our investments in DIRECTV under the equity method and recorded our share of DIRECTV earnings as equity in net income of affiliates as DIRECTV is considered a related party upon deconsolidation. Our share of net income or loss may differ from the stated ownership percentage interest of DIRECTV as the terms of the arrangement prescribe substantive non-proportionate cash distributions, both from operations and in liquidation, that are based on classes of interests held by investors. In the event that DIRECTV records a loss, that loss will be allocated to ownership interests based on their seniority, beginning with the most subordinated interests.

Our investment in DIRECTV at September 30, 2021 was $6,883, based upon the initial fair value of the equity considerations on July 31, 2021 of $6,852 which was determined using a discounted cash flow model reflecting distribution rights and preference of the individual instruments. For the two months ended September 30, 2021, our share of DIRECTV's earnings included in equity in net income of affiliates was $157. Cash distributions from DIRECTV in the third quarter totaled $130 and were classified as operating activities in our consolidated statement of cash flows.

In addition to the assets and liabilities contributed to DIRECTV (see Note 8), we recorded total obligations of $2,100 to cover certain net losses under the NFL SUNDAY TICKET contract, of which $1,800 is in the form of a note payable to DIRECTV (see Note 8). During the third quarter of 2021, cash payments to DIRECTV on the note totaled $361 and were classified as financing activities in our consolidated statement of cash flows. Amounts due under the DIRECTV note were $1,438 at September 30, 2021.

Through our WarnerMedia properties, we license content and programming and provide advertising services to DIRECTV. Revenue recognized from DIRECTV, which was previously eliminated, totaled approximately $280 for the two months ended September 30, 2021. We also provide DIRECTV with network transport for U-verse products and sales services under commercial arrangements for up to five years.

Pursuant to a commercial agreement, WarnerMedia continues to sell DIRECTV's advertising inventory under a revenue sharing agreement. WarnerMedia records amounts billed as advertising revenue and recognizes expense for DIRECTV's revenue share, which was approximately $200 for the two months ended September 30, 2021. Under separate transition services agreements, we provide DIRECTV certain operational support, including servicing of certain of their customer receivables for up to three years. For the two months ended September 30, 2021, we billed DIRECTV approximately $240 for these costs, which were recorded as a reduction to the operations and support expenses incurred and resulted in net retained costs to AT&T of approximately $50 in the third quarter.

At September 30, 2021, we had accounts receivable from DIRECTV of $433 and accounts payable to DIRECTV of $659.

We are not committed, implicitly or explicitly to provide financial or other support, other than noted above, as our involvement with DIRECTV is limited to the carrying amount of the assets and liabilities recognized on our balance sheet.

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.

The following table summarizes cash and cash equivalents and restricted cash balances contained on our consolidated balance sheets:

	September 30,		December 31,	
	2021	2020	2020	2019
Cash and cash equivalents	**$ 21,270**	$ 9,758	$ 9,740	$ 12,130
Restricted cash in Prepaid and other current assets	**2**	2	9	69
Restricted cash in Other Assets	**133**	89	121	96
Cash and Cash Equivalents and Restricted Cash	**$ 21,405**	$ 9,849	$ 9,870	$ 12,295

The following table summarizes cash paid during the periods for interest, income taxes and spectrum:

Consolidated Statements of Cash Flows	Nine months ended September 30,	
Cash paid (received) during the period for:	**2021**	2020
Interest	**$ 6,079**	$ 6,661
Income taxes, net of refunds	**538**	306
Spectrum acquisitions[1]	**23,017**	1,062

[1] Included as cash paid for "Acquisitions, net of cash acquired" on our consolidated statement of cash flows. Excludes interest during construction.

The following table summarizes interest capitalized during construction:

	Nine months ended September 30,	
Interest during construction:	**2021**	2020
Capital expenditures	**$ (132)**	$ (92)
Spectrum[1]	**(516)**	—
Interest During Construction	**$ (648)**	$ (92)

[1] Included in "Acquisitions, net of cash acquired" on our consolidated statement of cash flows.

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 in our statements of cash flows when paid. For the nine months ended September 30, 2021 and 2020, we recorded vendor financing commitments related to capital investments of approximately $3,624 and $3,148.

Total vendor financing payables included in our September 30, 2021 consolidated balance sheet were approximately $3,752, with $2,866 due within one year (in "Accounts payable and accrued liabilities") and the remainder predominantly due within two to three years (in "Other noncurrent liabilities").

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

Debt Transactions At September 30, 2021, our debt obligations totaled $179,161. Our debt activity during the nine months ended September 30, 2021 primarily consisted of the following:

	First Quarter	Second Quarter	Third Quarter	Nine months ended September 30, 2021
Net commercial paper borrowings	$ 7,072	$ (513)	$ (2)	$ 6,557
Issuance of Notes and Debentures[1]:				
U.S. dollar denominated global notes	$ 6,000	$ —	$ —	$ 6,000
Initial average rate of 1.27%				
Euro denominated global notes	1,461	—	—	1,461
Rate of 0.00%				
2021 Syndicated Term Loan	7,350	—	—	7,350
BAML Bilateral Term Loan	2,000	—	—	2,000
Private financing	750	—	—	750
Other	636	—	835	1,471
Debt Issuances	$ 18,197	$ —	$ 835	$ 19,032
Repayments:				
Private financing	$ (649)	$ —	$ —	$ (649)
Other	(253)	(253)	(498)	(1,004)
Repayments of long-term debt	$ (902)	$ (253)	$ (498)	$ (1,653)

[1] Includes credit agreement borrowings.

Credit Facilities
On January 29, 2021, we entered into a $14,700 Term Loan Credit Agreement (2021 Syndicated Term Loan), with Bank of America, N.A., as agent. On March 23, 2021, we borrowed $7,350 under the 2021 Syndicated Term Loan and the remaining $7,350 of lenders' commitments were terminated. As of September 30, 2021, $7,350 was outstanding and is due on March 22, 2022.

In March 2021, we entered into and drew on a $2,000 term loan credit agreement (BAML Bilateral Term Loan) consisting of (i) a 0.75 year $1,000 facility due December 31, 2021 (BAML Tranche A Facility), and (ii) a 1.75 year $1,000 facility due December 31, 2022 (BAML Tranche B Facility), with Bank of America, N.A., as agent. At September 30, 2021, $2,000 was outstanding under these facilities.

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).

On July 31, 2021, we closed our transaction with TPG Capital (TPG) to form a new company named DIRECTV Entertainment Holdings, LLC (DIRECTV). With the close of the transaction, we separated our Video business, comprised of our U.S. video operations, and began accounting for our investment in DIRECTV under the equity method. (See Note 8)

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.

In the first quarter of 2021, we recast our segment results for all prior periods to reflect the following:

- *Communications segment* results were recast to remove the held-for-sale businesses, principally Video, instead reporting those results in Corporate and Other. Additionally, we refined the allocation of shared infrastructure and deferred customer acquisition costs between Consumer Wireline and Video.
- *WarnerMedia segment* results reflect our operation of WarnerMedia as one integrated organization.

	Third Quarter			Nine-Month Period		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Operating Revenues						
Communications	**$ 28,218**	$ 27,195	3.8 %	**$ 84,524**	$ 80,479	5.0 %
WarnerMedia	**8,442**	7,395	14.2	**25,759**	21,888	17.7
Latin America	**1,480**	1,396	6.0	**4,291**	4,218	1.7
Corporate	**278**	628	(55.7)	**1,065**	1,751	(39.2)
Video	**2,149**	7,014	(69.4)	**15,513**	21,442	(27.7)
Eliminations and consolidation	**(645)**	(1,288)	49.9	**(3,246)**	(3,709)	12.5
AT&T Operating Revenues	**39,922**	42,340	(5.7)	**127,906**	126,069	1.5
Operating Contribution						
Communications	**7,123**	7,064	0.8	**21,828**	21,953	(0.6)
WarnerMedia	**1,935**	1,755	10.3	**5,704**	5,681	0.4
Latin America	**(25)**	(177)	85.9	**(350)**	(562)	37.7
Segment Operating Contribution	**$ 9,033**	$ 8,642	4.5 %	**$ 27,182**	$ 27,072	0.4 %

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.
- **Business Wireline** provides advanced IP-based services, as well as traditional voice and data services and related equipment to business customers.
- **Consumer Wireline** provides internet, including broadband fiber, and legacy telephony voice communications services to residential customers.

The ***WarnerMedia segment*** develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. WarnerMedia content is distributed through basic networks, Direct-to-Consumer (DTC) or theatrical, TV content and games licensing. Segment results also include Xandr advertising and Otter Media Holdings (Otter Media). We disposed of substantially all of the Otter Media assets in the third quarter of 2021 (see Note 8).

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.

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		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Operating Revenues						
Service	**$ 34,843**	$ 37,782	(7.8)%	**$ 112,303**	$ 113,716	(1.2)%
Equipment	**5,079**	4,558	11.4	**15,603**	12,353	26.3
Total Operating Revenues	**39,922**	42,340	(5.7)	**127,906**	126,069	1.5
Operating expenses						
Operations and support	**27,194**	29,178	(6.8)	**92,678**	87,382	6.1
Depreciation and amortization	**5,619**	7,030	(20.1)	**17,189**	21,537	(20.2)
Total Operating Expenses	**32,813**	36,208	(9.4)	**109,867**	108,919	0.9
Operating Income	**7,109**	6,132	15.9	**18,039**	17,150	5.2
Interest expense	**1,667**	1,972	(15.5)	**5,221**	6,031	(13.4)
Equity in net income (loss) of affiliates	**91**	5	—	**184**	(11)	—
Other income (expense) - net	**2,279**	(231)	—	**7,499**	1,589	—
Income Before Income Taxes	**7,812**	3,934	98.6	**20,501**	12,697	61.5
Net Income	**6,273**	3,168	98.0	**16,089**	9,694	66.0
Net Income Attributable to AT&T	**5,918**	2,816	—	**15,038**	8,707	72.7
Net Income Attributable to Common Stock	**$ 5,868**	$ 2,762	— %	**$ 14,882**	$ 8,569	73.7 %

Operating revenues decreased in the third quarter and increased in the first nine months of 2021. The revenue decrease in the third quarter reflects our July 31, 2021 separation of the U.S. video business and lower Business Wireline revenues due in part to higher demand for pandemic-related connectivity in the prior-year. Partially offsetting these declines were Mobility service and equipment revenue growth and gains in broadband service in our Communications segment and higher content and Direct-to-Consumer (DTC) subscription revenues in our WarnerMedia segment.

The increase for the first nine months was driven by higher Mobility equipment and service revenues and gains in broadband service in our Communications segment; higher DTC subscription, and content revenues in our WarnerMedia segment; and growth in Mexico wireless operations from favorable foreign exchange impacts. Partially offsetting the increases was the loss of revenue resulting from the separation of our U.S. video business in July and the sale of our wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands, which were sold in the fourth quarter of 2020.

Operations and support expenses decreased in the third quarter and increased in the first nine months of 2021. The expense decrease in the third quarter reflects our July 31, 2021 separation of the U.S. video business and the timing of the NBA season in 2020, partially offset by increased domestic wireless equipment expense, including 3G network shutdown costs, and higher WarnerMedia non-sports programming, marketing activities, and incremental selling costs associated with a DIRECTV advertising revenue sharing arrangement with WarnerMedia. Also contributing to expense declines were lower personnel costs associated with our ongoing transformation initiatives.

The increase for the first nine months included a noncash impairment charge of $4,555 in the second quarter of 2021, resulting from our assessment of the recoverability of the net assets of Vrio, including approximately $2,100 of historical currency translation adjustments (see Note 8). Also contributing to the expense increase was higher WarnerMedia non-sports programming and marketing activities and increased domestic wireless equipment expense. Partially offsetting these increases was the impact of the separation of the U.S. video business, lower bad debt expense and lower personnel costs associated with our ongoing transformation initiatives.

Depreciation and amortization expense decreased in the third quarter and for the first nine months of 2021.
Amortization expense decreased $909, or 47.3% in the third quarter and $2,910, or 47.5% for the first nine months of 2021 primarily due to ceasing amortization on Vrio held-for-sale assets in 2021.

Depreciation expense decreased $502, or 9.8% in the third quarter and $1,438, or 9.3% for the first nine months of 2021 primarily due to the lower cost basis of property, plant and equipment resulting from Video impairments taken in the fourth quarter of 2020 and ceasing depreciation on Video and Vrio held-for-sale assets in 2021.

Operating income increased in the third quarter and in the first nine months of 2021. Our operating income margin for the third quarter increased from 14.5% in 2020 to 17.8% in 2021 and in the first nine months increased from 13.6% in 2020 to 14.1% in 2021.

Interest expense decreased in the third quarter and first nine months of 2021, primarily due to lower interest rates and capitalized interest associated with the spectrum acquisitions.

Equity in net income of affiliates increased in the third quarter and for the first nine months of 2021. The third quarter increase was primarily due to the close of our transaction with TPG and our accounting for our investment in DIRECTV under the equity method of accounting beginning August 1, 2021 (see Note 8 and Note 11), partially offset by decreases from certain WarnerMedia investments. The increase for the first nine months was also due to the DIRECTV investment, combined with improved performance from WarnerMedia investments for the nine-month period.

Other income (expense) – net increased in the third quarter and for the first nine months of 2021. The increases were primarily due to actuarial gains of $374 and $3,021 in the third quarter and first nine months of 2021, respectively, a $766 gain on sale of our interest in Playdemic Ltd. (Playdemic), and higher net pension and postretirement benefit credits resulting from lower interest costs on the benefit obligation and higher prior service credit amortization (see Note 6). The increase also includes higher returns on benefit-related investments for the nine-month comparable period and fewer impairments taken in 2021.

Income taxes increased in the third quarter and the first nine months of 2021. The increase in the third quarter was primarily driven by higher income before income tax. Our effective tax rate was 19.7% in the third quarter of 2021, versus 19.5% in the comparable period in the prior year.

The increase for the first nine months was primarily due to higher income before income tax, offset by Vrio tax benefit, tax initiatives and audit settlements in the current year. Our effective tax rate was 21.5% for the first nine months of 2021, versus 23.7% for the comparable period in the prior year. The effective tax rate in 2020 was higher primarily due to our prior-year impairment of Vrio goodwill, which was not deductible for tax purposes.

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

COMMUNICATIONS SEGMENT	Third Quarter			Nine-Month Period		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Segment Operating Revenues						
Mobility	**$ 19,138**	$ 17,894	7.0 %	**$ 57,108**	$ 52,445	8.9 %
Business Wireline	**5,938**	6,261	(5.2)	**18,036**	18,832	(4.2)
Consumer Wireline	**3,142**	3,040	3.4	**9,380**	9,202	1.9
Total Segment Operating Revenues	**28,218**	27,195	3.8	**84,524**	80,479	5.0
Segment Operating Contribution						
Mobility	**5,955**	5,691	4.6	**17,959**	17,284	3.9
Business Wireline	**985**	1,184	(16.8)	**3,093**	3,567	(13.3)
Consumer Wireline	**183**	189	(3.2)	**776**	1,102	(29.6)
Total Segment Operating Contribution	**$ 7,123**	$ 7,064	0.8 %	**$ 21,828**	$ 21,953	(0.6)%

Selected Subscribers and Connections

	September 30,	
(000s)	**2021**	2020
Mobility Subscribers	**196,519**	176,744
Total domestic broadband connections	**15,510**	15,375
Network access lines in service	**6,404**	7,562
U-verse VoIP connections	**3,440**	3,942

Operating revenues increased in the third quarter and for the first nine months of 2021, driven by increases in our Mobility and Consumer Wireline business units, partially offset by decreases in our Business Wireline business unit. The increases are primarily driven by wireless service and equipment revenue growth and gains in broadband service.

Operating contribution increased in the third quarter and decreased for the first nine months of 2021, reflecting lower operating contribution from our Business Wireline and Consumer Wireline business units, offset by increases in our Mobility business unit. Our Communications segment operating income margin in the third quarter decreased from 26.0% in 2020 to 25.2% in 2021 and for the first nine months decreased from 27.3% in 2020 to 25.8% in 2021, reflecting, in part, increased equipment sales with no margins.

Communications Business Unit Discussion

Mobility Results

	Third Quarter			Nine-Month Period		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Operating revenues						
Service	**$ 14,527**	$ 13,883	4.6 %	**$ 42,921**	$ 41,520	3.4 %
Equipment	**4,611**	4,011	15.0	**14,187**	10,925	29.9
Total Operating Revenues	**19,138**	17,894	7.0	**57,108**	52,445	8.9
Operating expenses						
Operations and support	**11,148**	10,182	9.5	**33,077**	29,083	13.7
Depreciation and amortization	**2,035**	2,021	0.7	**6,072**	6,078	(0.1)
Total Operating Expenses	**13,183**	12,203	8.0	**39,149**	35,161	11.3
Operating Income	**5,955**	5,691	4.6	**17,959**	17,284	3.9
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—	—
Operating Contribution	**$ 5,955**	$ 5,691	4.6 %	**$ 17,959**	$ 17,284	3.9 %

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

Subscribers

	September 30,		Percent
(in 000s)	**2021**	2020	Change
Postpaid	**80,249**	75,969	5.6 %
Postpaid phone	**66,396**	63,485	4.6
Prepaid	**19,028**	18,100	5.1
Reseller	**6,263**	6,708	(6.6)
Connected devices[1]	**90,979**	75,967	19.8
Total Mobility Subscribers	**196,519**	176,744	11.2 %

[1] Includes data-centric devices such as session-based tablets, monitoring devices and primarily wholesale automobile systems.

Net Additions

	Third Quarter			Nine-Month Period		
(in 000s)	**2021**	2020	Percent Change	**2021**	2020	Percent Change
Postpaid Phone Net Additions	**928**	645	43.9 %	**2,312**	657	— %
Total Phone Net Additions	**1,177**	776	51.7	**2,942**	880	—
Postpaid[2]	**1,218**	1,081	12.7	**3,197**	954	—
Prepaid	**351**	245	43.3	**927**	365	—
Reseller	**(164)**	(4)	—	**(357)**	(252)	(41.7)
Connected devices[3]	**3,468**	4,203	(17.5)	**10,194**	9,976	2.2
Mobility Net Subscriber Additions[1]	**4,873**	5,525	(11.8) %	**13,961**	11,043	26.4 %
Postpaid Churn[4]	**0.92 %**	0.85 %	7 BP	**0.91 %**	0.99 %	(8)BP
Postpaid Phone-Only Churn[4]	**0.72 %**	0.69 %	3 BP	**0.72 %**	0.80 %	(8)BP

1 Excludes migrations and acquisition-related activities during the period.

2 In addition to postpaid phones, includes tablets and wearables and other. Tablet net adds (losses) were 34 and (44) for the three months ended September 30, 2021 and 2020 and (16) and (470) for the nine months ended September 30, 2021 and 2020. Wearables and other net adds were 256 and 480 for the quarter ended September 30, 2021 and 2020 and 899 and 767 for the nine months September 30, 2021 and 2020.

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. Wholesale connected car net adds were 1.8 million for the quarter ended September 30, 2021 and 5.5 million for the nine months ended September 30, 2021.

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.

Service revenue increased in the third quarter and for the first nine months of 2021. The increases are largely due to growth from subscriber gains.

ARPU
Average revenue per subscriber (ARPU) decreased in the third quarter and for the first nine months of 2021. ARPU during 2021 reflects the impact of higher promotional discount amortization (see Note 5).

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 retention offers, migrations to unlimited plans, continued network performance and lower involuntary disconnects.

Equipment revenue increased in the third quarter and for the first nine months of 2021, primarily driven by the sale of higher-priced smartphones and a mix of higher-priced postpaid smartphones, including the quarterly shift in product launch timing versus the prior year, and higher sales of postpaid data devices for the nine-month period.

Operations and support expenses increased in the third quarter and for the first nine months of 2021 largely driven by growth in equipment sales and associated expenses, including 3G network shutdown costs, increased amortization of deferred contract acquisition costs, and content costs associated with bundling HBO Max, and, for the nine-month period, higher network and technology costs. The expense increase was offset by lower sales costs and lower bad debt expense.

Depreciation expense increased in the third quarter and decreased for the first nine months of 2021. The third quarter increase is due to ongoing capital spending for network upgrades and expansion partially offset by fully depreciated assets. For the nine months the decrease is primarily due to network assets becoming fully depreciated.

Operating income increased in the third quarter and for the first nine months of 2021. Our Mobility operating income margin in the third quarter decreased from 31.8% in 2020 to 31.1% in 2021, and for the first nine months decreased from 33.0% in 2020 to 31.4% in 2021. Our Mobility EBITDA margin in the third quarter decreased from 43.1% in 2020 to 41.7% in 2021, and for the first nine months decreased from 44.5% in 2020 to 42.1% in 2021. 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 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 subscribers to such plans tend to have higher retention and lower churn rates. We offer unlimited data plans and subscribers to such plans 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.

Business Wireline Results

	Third Quarter			Nine-Month Period		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Operating revenues						
Service	**$ 5,765**	$ 6,079	(5.2)%	**$ 17,497**	$ 18,271	(4.2)%
Equipment	**173**	182	(4.9)	**539**	561	(3.9)
Total Operating Revenues	**5,938**	6,261	(5.2)	**18,036**	18,832	(4.2)
Operating expenses						
Operations and support	**3,649**	3,764	(3.1)	**11,068**	11,365	(2.6)
Depreciation and amortization	**1,304**	1,313	(0.7)	**3,875**	3,900	(0.6)
Total Operating Expenses	**4,953**	5,077	(2.4)	**14,943**	15,265	(2.1)
Operating Income	**985**	1,184	(16.8)	**3,093**	3,567	(13.3)
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—	—
Operating Contribution	**$ 985**	$ 1,184	(16.8)%	**$ 3,093**	$ 3,567	(13.3)%

Service revenues decreased in the third quarter and for the first nine months of 2021, driven by lower demand for legacy voice and data services in the current year, proactive rationalization of low profit margin products and higher demand for pandemic-related connectivity in the prior-year. We expect this trend to continue for the remainder of the year.

Equipment revenues decreased in the third quarter and for the first nine months of 2021, driven by declines in legacy and non-core services.

Operations and support expenses decreased in the third quarter and for the first nine months of 2021, primarily due to our continued efforts to drive efficiencies in our network operations through automation and reductions in customer support expenses through digitization and proactive rationalization of low profit margin products.

Depreciation expense decreased in the third quarter and for the first nine months of 2021, primarily due to certain network assets becoming fully depreciated.

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

Operating income decreased in the third quarter and for the first nine months of 2021. Our Business Wireline operating income margin in the third quarter decreased from 18.9% in 2020 to 16.6% in 2021, and for the first nine months decreased from 18.9% in 2020 to 17.1% in 2021. Our Business Wireline EBITDA margin in the third quarter decreased from 39.9% in 2020 to 38.5% in 2021, and for the first nine months decreased from 39.7% in 2020 to 38.6% in 2021.

Consumer Wireline Results

	Third Quarter			Nine-Month Period		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Operating revenues						
Broadband	**$ 2,290**	$ 2,128	7.6 %	**$ 6,761**	$ 6,329	6.8 %
Legacy voice and data services	**484**	538	(10.0)	**1,507**	1,679	(10.2)
Other service and equipment	**368**	374	(1.6)	**1,112**	1,194	(6.9)
Total Operating Revenues	**3,142**	3,040	3.4	**9,380**	9,202	1.9
Operating expenses						
Operations and support	**2,184**	2,117	3.2	**6,298**	5,924	6.3
Depreciation and amortization	**775**	734	5.6	**2,306**	2,176	6.0
Total Operating Expenses	**2,959**	2,851	3.8	**8,604**	8,100	6.2
Operating Income	**183**	189	(3.2)	**776**	1,102	(29.6)
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—	—
Operating Contribution	**$ 183**	$ 189	(3.2)%	**$ 776**	$ 1,102	(29.6)%

The following tables highlight other key measures of performance for Consumer Wireline:

Connections

(in 000s)	September 30, **2021**	2020	Percent Change
Broadband Connections			
Total Broadband and DSL Connections	**14,180**	14,102	0.6 %
Fiber Broadband Connections	**5,721**	4,678	22.3
Voice Connections			
Retail Consumer Switched Access Lines	**2,527**	2,977	(15.1)
U-verse Consumer VoIP Connections	**2,843**	3,361	(15.4)
Total Retail Consumer Voice Connections	**5,370**	6,338	(15.3)%

Net Additions

	Third Quarter			Nine-Month Period		
(in 000s)	**2021**	2020	Percent Change	**2021**	2020	Percent Change
Broadband Net Additions						
Total Broadband and DSL Net Additions	**6**	158	(96.2)%	**80**	(17)	— %
Fiber Broadband Net Additions	**289**	357	(19.0)%	**770**	791	(2.7)%

Broadband (high-speed internet) revenues increased in the third quarter and for the first nine months of 2021, driven by an increase in fiber customers and pricing, which we expect to continue for the foreseeable future.

Legacy voice and data service revenues decreased in the third quarter and for the first nine months of 2021, reflecting the continued decline in the number of customers, which we expect to continue.

Other service and equipment revenues decreased in the third quarter and for the first nine months of 2021, reflecting the continued decline in the number of VoIP customers, which we expect to continue.

Operations and support expenses increased in the third quarter and for the first nine months of 2021, primarily driven by higher technology and customer support costs and, for the nine-month period, content costs associated with plans bundling HBO Max. Partially offsetting these increases was lower amortization of deferred fulfillment costs, including the impact of the first-quarter 2021 updates to extend the economic life for our subscribers.

Depreciation expense increased in the third quarter and for the first nine months of 2021, primarily due to ongoing capital spending for network upgrades and expansion.

Operating income decreased in the third quarter and for the first nine months of 2021. Our Consumer Wireline operating income margin in the third quarter decreased from 6.2% in 2020 to 5.8% in 2021, and for the first nine months decreased from 12.0% in 2020 to 8.3% in 2021. Our Consumer Wireline EBITDA margin in the third quarter increased from 30.4% in 2020 to 30.5% in 2021, and for the first nine months decreased from 35.6% in 2020 to 32.9% in 2021.

WARNERMEDIA SEGMENT	Third Quarter			Nine-Month Period		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Segment Operating Revenues						
Subscription	**$ 3,988**	$ 3,477	14.7 %	**$ 11,779**	$ 10,142	16.1 %
Content and other	**3,053**	2,318	31.7	**9,103**	7,510	21.2
Advertising	**1,401**	1,600	(12.4)	**4,877**	4,236	15.1
Total Segment Operating Revenues	**8,442**	7,395	14.2	**25,759**	21,888	17.7
Segment Operating Expenses						
Direct Costs						
Programming	**3,068**	3,181	(3.6)	**10,996**	8,638	27.3
Marketing	**1,096**	655	67.3	**2,929**	1,750	67.4
Other	**932**	734	27.0	**2,599**	2,329	11.6
Selling, general and administrative	**1,175**	913	28.7	**3,084**	3,027	1.9
Depreciation and amortization	**163**	169	(3.6)	**491**	494	(0.6)
Total Operating Expenses	**6,434**	5,652	13.8	**20,099**	16,238	23.8
Operating Income	**2,008**	1,743	15.2	**5,660**	5,650	0.2
Equity in Net Income (Loss) of Affiliates	**(73)**	12	—	**44**	31	41.9
Total Segment Operating Contribution	**$ 1,935**	$ 1,755	10.3 %	**$ 5,704**	$ 5,681	0.4 %

Our WarnerMedia segment is operated as a content organization that distributes across various platforms, including basic networks, Direct-to-Consumer (DTC) or theatrical, TV content and games licensing.

On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions with a subsidiary of Discovery Inc. (See Note 8)

Operating revenues increased in the third quarter and for the first nine months of 2021, primarily due to increases in subscription and content revenues, reflecting the partial recovery from prior-year impacts of the pandemic. These increases were partially offset by decreased advertising revenues during the third quarter primarily due to the timing of the NBA season in 2020.

Subscription revenues increased in the third quarter and for the first nine months of 2021, reflecting growth of DTC domestic HBO Max and HBO subscribers, and, for the nine-month period, the May 2020 acquisition of the remaining interest in HBO Latin America Group. DTC subscription revenues were $2,036 and $5,842, for the three- and nine-month periods of 2021, versus $1,624 and $4,403 in the year-ago periods and include growth from intercompany relationships with the Communications segment.

Content and other revenues increased in the third quarter and for the first nine months of 2021 due to higher TV production and licensing, as well as higher theatrical, with the prior-year quarter including only one worldwide theatrical release compared to five in the third quarter of 2021.

Advertising revenues decreased in the third quarter and increased for the first nine months of 2021. The decrease for the quarter resulted from the timing of the NBA season in 2020 and was affected by lower political advertising spending in 2021. The increase for the first nine months resulted from the return in 2021 of major sporting events, including the NCAA Division I Men's Championship Basketball Tournament.

Direct costs increased in the third quarter and for the first nine months of 2021, driven by higher film and programming costs and increased costs for HBO Max. Third quarter increases were partially offset by lower sports costs resulting from the shift in timing of the NBA season in the prior year. Direct costs supporting DTC revenues were $2,041 and $5,620 for the three- and nine-month periods of 2021, versus $1,551 and $3,823 in the year-ago periods.

Selling, general and administrative expenses increased in the third quarter and for the first nine months of 2021. The increase for the quarter was primarily due to incremental selling costs associated with a DIRECTV advertising revenue sharing arrangement. For the nine months, these increases were largely offset by lower bad debt expense and integration of support functions.

Operating contribution increased in the third quarter and for the first nine months of 2021. The WarnerMedia segment operating income margin in the third quarter increased from 23.6% in 2020 to 23.8% in 2021 and for the first nine months decreased from 25.8% in 2020 to 22.0% in 2021.

LATIN AMERICA SEGMENT	Third Quarter			Nine-Month Period		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Segment Operating Revenues						
Vrio	**$ 756**	$ 753	0.4 %	**$ 2,248**	$ 2,392	(6.0)%
Mexico	**724**	643	12.6	**2,043**	1,826	11.9
Total Segment Operating Revenues	**1,480**	1,396	6.0	**4,291**	4,218	1.7
Segment Operating Contribution						
Vrio	**105**	(34)	—	**43**	(101)	—
Mexico	**(130)**	(143)	9.1	**(393)**	(461)	14.8
Total Segment Operating Contribution	**$ (25)**	$ (177)	85.9 %	**$ (350)**	$ (562)	37.7 %

Operating Results
Our Latin America operations conduct business in their local currency and operating results are converted to U.S. dollars using average exchange rates during the period, subjecting results to foreign currency fluctuations.

On July 21, 2021, we entered into an agreement to sell our Vrio business to Grupo Werthein (see Note 8). We applied held-for-sale accounting to Vrio as of June 30, 2021 and continue to present the Vrio results within the Latin America segment.

Operating revenues increased in the third quarter and for the first nine months of 2021, reflecting growth at Vrio and in the Mexico wireless operations. Foreign exchange impacts were neutral in the third quarter, and for the nine-month period, pressure in Vrio was partially offset by improvements in Mexico.

Operating contribution improved in the third quarter and for the first nine months of 2021, reflecting foreign exchange rates. Our Latin America segment operating income margin in the third quarter increased from (13.7)% in 2020 to (2.3)% in 2021, and for the first nine months increased from (13.9)% in 2020 to (8.3)% in 2021.

Latin America Business Unit Discussion
Vrio Results

	Third Quarter			Nine-Month Period		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Operating revenues	**$ 756**	$ 753	0.4 %	**$ 2,248**	$ 2,392	(6.0)%
Operating expenses						
Operations and support	**660**	675	(2.2)	**1,981**	2,119	(6.5)
Depreciation and amortization	**—**	126	—	**231**	400	(42.3)
Total Operating Expenses	**660**	801	(17.6)	**2,212**	2,519	(12.2)
Operating Income (Loss)	**96**	(48)	—	**36**	(127)	—
Equity in Net Income (Loss) of Affiliates	**9**	14	(35.7)	**7**	26	(73.1)
Operating Contribution	**$ 105**	$ (34)	— %	**$ 43**	$ (101)	— %

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

(in 000s)	September 30, **2021**	2020	Percent Change
Vrio Video Subscribers	**10,142**	10,893	(6.9)%

	Third Quarter			Nine-Month Period		
(in 000s)	**2021**	2020	Percent Change	**2021**	2020	Percent Change
Vrio Video Net Additions	**(178)**	229	— %	**(800)**	(197)	— %

Operating revenues slightly increased in the third quarter and decreased for the first nine months of 2021. The increase in the third quarter is primarily driven by higher ARPU. The decrease in the first nine months is primarily driven by foreign exchange impacts.

Operations and support expenses decreased in the third quarter and for the first nine months of 2021, primarily driven by foreign exchange impacts. Approximately 23% 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 2021 due to ceasing depreciation on held-for-sale Vrio assets. We applied held-for-sale accounting to Vrio on June 30, 2021 and ceased depreciation beginning July 1, 2021.

Operating income improved in the third quarter and for the first nine months of 2021. Vrio operating income margin for the third quarter increased from (6.4)% in 2020 to 12.7% in 2021, and for the first nine months increased from (5.3)% in 2020 to 1.6% in 2021. Vrio EBITDA margin in the third quarter increased from 10.4% in 2020 to 12.7% in 2021, and for the first nine months increased from 11.4% in 2020 to 11.9% in 2021.

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

Mexico Results

	Third Quarter			Nine-Month Period		
	2021	2020	Percent Change	**2021**	2020	Percent Change
Operating revenues						
Service	**$ 463**	$ 385	20.3 %	**$ 1,349**	$ 1,197	12.7 %
Equipment	**261**	258	1.2	**694**	629	10.3
Total Operating Revenues	**724**	643	12.6	**2,043**	1,826	11.9
Operating expenses						
Operations and support	**697**	662	5.3	**1,984**	1,914	3.7
Depreciation and amortization	**157**	124	26.6	**452**	373	21.2
Total Operating Expenses	**854**	786	8.7	**2,436**	2,287	6.5
Operating Income (Loss)	**(130)**	(143)	9.1	**(393)**	(461)	14.8
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—	—
Operating Contribution	**$ (130)**	$ (143)	9.1 %	**$ (393)**	$ (461)	14.8 %

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

(in 000s)	September 30, **2021**	2020	Percent Change
Mexico Wireless Subscribers			
Postpaid	**4,781**	4,710	1.5 %
Prepaid	**14,199**	13,249	7.2
Reseller	**493**	455	8.4
Total Mexico Wireless Subscribers	**19,473**	18,414	5.8 %

	Third Quarter			Nine-Month Period		
(in 000s)	**2021**	2020	Percent Change	**2021**	2020	Percent Change
Mexico Wireless Net Additions						
Postpaid	**36**	(61)	— %	**85**	(393)	— %
Prepaid	**389**	472	(17.6)	**441**	(335)	—
Reseller	**2**	30	(93.3)	**4**	83	(95.2)
Total Mexico Wireless Net Additions	**427**	441	(3.2)%	**530**	(645)	— %

Service revenues increased in the third quarter reflecting improvements in foreign exchange, subscriber growth, and growth in other services, and for the first nine months of 2021, driven by improvements in foreign exchange and growth in other services.

Equipment revenues increased in the third quarter driven by improvements in foreign exchange partially offset by lower equipment sales volumes, and for the first nine months of 2021, driven by improvements in foreign exchange and higher equipment sales volumes.

Operations and support expenses increased in the third quarter primarily due to foreign exchange impact partially offset by lower customer costs, and for the first nine months of 2021, due to foreign exchange impact and an increase in customer growth. 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 2021, reflecting higher in-service assets and foreign exchange impacts.

Operating loss improved in the third quarter and for the first nine months of 2021. Our Mexico operating income margin in the third quarter increased from (22.2)% in 2020 to (18.0)% in 2021, and for the first nine months increased from (25.2)% in 2020 to (19.2)% in 2021. Our Mexico EBITDA margin in the third quarter increased from (3.0)% in 2020 to 3.7% in 2021, and for the first nine months increased from (4.8)% in 2020 to 2.9% in 2021.

OTHER BUSINESS MATTERS

Spectrum Auction On February 24, 2021, the Federal Communications Commission (FCC) announced that AT&T was the winning bidder for 1,621 C-Band licenses, comprised of a total of 80 MHz nationwide, including 40 MHz in Phase I. We provided to the FCC an upfront deposit of $550 in 2020 and cash payments totaling $22,856 in the first quarter of 2021, for a total of $23,406. We received the licenses in July 2021 and classified the auction deposits, related capitalized interest and billed relocation costs as "Licenses - Net" on our September 30, 2021 consolidated balance sheet. We estimate that we will be responsible for $955 of Incentive Payments upon clearing of Phase I spectrum, expected by the end of 2021 and $2,112 upon clearing of Phase II spectrum, expected by the end of 2023. Additionally, we are responsible for approximately $1,000 of compensable relocation costs over the next several years as the spectrum is being cleared by satellite operators, of which $650 was billed in the third quarter of 2021 and will be paid in the fourth quarter of 2021. (See Note 8)

Video Business On July 31, 2021, we closed our transaction with TPG to form a new company named DIRECTV, which is jointly governed by a board with representation from both AT&T and TPG, with TPG having tie-breaking authority on certain key decisions.

In connection with the transaction, we contributed our U.S. Video business unit to DIRECTV for $4,250 of junior preferred units, an additional distribution preference of $4,200 and a 70% economic interest in common units (collectively "equity considerations"). Upon close, we received approximately $7,170 in cash from DIRECTV ($7,600, net of $430 cash on hand) and transferred $195 of DIRECTV debt. TPG contributed approximately $1,800 in cash to DIRECTV for $1,800 of senior preferred units and a 30% economic interest in common units. As part of this transaction, we agreed to cover net losses under the NFL SUNDAY TICKET contract up to a cap of $2,100 over the remaining period of the contract, of which $1,800 was a note payable to DIRECTV. (See Note 8)

Under separate transition services agreements, we will provide DIRECTV certain operational support for up to three years. We also have entered into commercial arrangements, for up to five years, to provide network transport for U-verse products and sales services.

WarnerMedia On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery, Inc. (Discovery). The agreement is structured as a Reverse Morris Trust transaction, under which WarnerMedia will be distributed to AT&T's shareholders via a pro rata dividend, an exchange offer, or a combination of both, followed by its combination with Discovery. The transaction is expected to be tax-free to AT&T and AT&T's shareholders. AT&T will receive approximately $43,000 (subject to adjustment) in a combination of cash, debt securities, and WarnerMedia's retention of certain debt. AT&T's shareholders will receive stock representing approximately 71% of the new company; Discovery shareholders will own approximately 29% of the new company. The transaction is expected to close in mid-2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals. No vote is required by AT&T shareholders.

The merger agreement contains certain customary termination rights for AT&T and Discovery, including, without limitation, a right for either party to terminate if the transaction is not completed on or before July 15, 2023. Termination fees under specified circumstances will require Discovery to pay AT&T $720 or AT&T to pay Discovery $1,770.

Magallanes, Inc. (Spinco), a subsidiary of AT&T, entered into a $41,500 commitment letter (Bridge Loan) on May 17, 2021. On June 4, 2021, Spinco entered into a $10,000 term loan credit agreement (Spinco Term Loan) and reduced the aggregate commitment amount under the Bridge Loan to $31,500. There have been no draws on the Bridge Loan or the Spinco Term Loan. In the event advances are made under the Bridge Loan or Spinco Term Loan, those advances will be used by Spinco to finance a portion of the cash distribution to AT&T in connection with the transaction.

On September 20, 2021, we sold WarnerMedia's mobile games app studio, Playdemic Ltd. for approximately $1,400 in cash and recognized a pre-tax gain of $766. Playdemic was excluded from the pending WarnerMedia/Discovery transaction.

Vrio On July 21, 2021, we entered into an agreement to sell our Latin America video operations, Vrio, to Grupo Werthein. In the second quarter of 2021, we classified the Vrio disposal group as held-for-sale and reported the disposal group at fair value less cost to sell, which resulted in a noncash, pre-tax impairment charge of $4,555, including approximately $2,100 related to accumulated foreign currency translation adjustments and $2,500 related to property, plant and equipment and intangible assets. Approximately $80 of the impairment was attributable to noncontrolling interest. At September 30, 2021, our consolidated balance sheet included $853 of Vrio held-for-sale assets reported in "Prepaid and other current assets," primarily related to deferred customer contract acquisition and fulfillment costs, prepaids and other deferred charges, and $2,819 of related liabilities reported in "Accounts payable and accrued liabilities," primarily for reserves associated with accumulated foreign currency translation adjustments, which will reverse against accumulated other comprehensive income upon close of the transaction.

The transaction is expected to close during the fourth quarter of 2021, pending customary closing conditions. We will retain our 41.3% interest in SKY Mexico, a leading pay-TV provider in Mexico.

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. Over the past several years, 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. We continue to support regulatory and legislative measures and efforts, at both the state and federal levels, to reduce inappropriate regulatory burdens that inhibit our ability to compete effectively and offer needed services to 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. These issues related to the effect of the FCC's decision to classify broadband services as information services on public safety, the regulation of pole attachments, and universal service support for low-income consumers through the Lifeline program. Because no party sought Supreme Court review of the D.C. Circuit's decision to uphold the FCC's classification of broadband as an information service, that decision is final.

In October 2020, the FCC adopted an order addressing the three issues remanded by the D.C. Circuit for further consideration. After considering those issues, the FCC concluded they provided no grounds to depart from its determination that fixed and mobile consumer broadband services should be classified as information services. An appeal of the FCC's remand order is pending.

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.

Privacy-related legislation continues to be adopted or considered in a number of jurisdictions. Legislative, regulatory and litigation actions could result in increased costs of compliance, further regulation or claims against broadband internet access service providers and others, and increased uncertainty in the value and availability of data.

Wireless Industry-wide network densification and 5G technology expansion efforts, which are needed to satisfy extensive demand for video and internet access, will involve significant deployment of "small cell" equipment. This increases the importance of local permitting processes that allow for the placement of small cell equipment in the public right-of-way on reasonable timelines and terms. Between 2018 and 2020, the FCC adopted multiple Orders streamlining federal, state, and local wireless structure review processes that had the tendency to delay and impede deployment of small cell and related infrastructure used to provide telecommunications and broadband services. The key elements of these orders have been affirmed on judicial review. During 2020-2021, we have also deployed 5G nationwide on "low band" spectrum on macro towers. Executing on the recent spectrum purchase, we announced on-going construction and continuing deployment of 5G on C-band spectrum in 2022 and beyond.

LIQUIDITY AND CAPITAL RESOURCES

We had $21,270 in cash and cash equivalents available at September 30, 2021. Cash and cash equivalents included cash of $4,552 and money market funds and other cash equivalents of $16,718. Approximately $3,417 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.

Cash and cash equivalents increased $11,530 since December 31, 2020. In the first nine months of 2021, cash inflows were primarily provided by cash receipts from operations, including cash from our sale and transfer of our receivables to third parties, the disposition of businesses, including our recently completed U.S. video business transaction, and issuance of long-term debt and commercial paper. These inflows were offset by cash used to meet the needs of the business, including, but not limited to, payment of operating expenses, spectrum acquisitions, funding capital expenditures and vendor financing payments, investment in WarnerMedia content and dividends to stockholders.

Our cash and debt management will be impacted by the WarnerMedia/Discovery transaction, including the IRS private letter ruling process. During this time, we plan to maintain cash and cash equivalent balances above historical thresholds.

Cash Provided by or Used in Operating Activities
During the first nine months of 2021, cash provided by operating activities was $30,703, compared to $33,048 for the first nine months of 2020, impacted by content investment and the separation of the U.S. video business. Total cash paid for WarnerMedia's content investment was $14,562 in the first nine months of 2021 ($4,281 higher than the prior-year comparable period).

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 $1,803 and $1,051 for the nine months ended September 30, 2021 and 2020, respectively. All supplier financing payments are due within one year.

Cash Used in or Provided by Investing Activities
For the first nine months of 2021, cash used in investing activities totaled $27,333, and consisted primarily of $12,696 for capital expenditures, and acquisitions of $23,533, which include C-Band spectrum licenses won in Auction 107 and associated capitalized interest. During the third quarter, investing activities also included cash receipts of approximately $5,370 (excluding cash on hand and $1,800 of financing activities) from the sale of our Video business and $2,940 from the sale of Otter Media assets and Playdemic (see Note 8). In the fourth quarter of 2021, we paid $650 of compensable relocation costs to clear C-Band spectrum licenses won in Auction 107.

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 2021, vendor financing payments were $4,013, compared to $1,965 for the first nine months of 2020. Capital expenditures in the first nine months of 2021 were $12,696, and when including $4,013 cash paid for vendor financing, gross capital investment was $16,709 ($1,318 higher 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 of 2021, we placed $3,624 of equipment in service under vendor financing arrangements (compared to $3,148 in the prior-year comparable period) and $610 of assets related to the FirstNet build (compared to $940 in

the prior-year comparable period). 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 2021, cash provided by financing activities totaled $8,165 and was comprised of debt issuances and repayments, payments of dividends, and vendor financing payments. During the third quarter of 2021, we also paid approximately $361 in cash on the $1,800 note payable to DIRECTV (see Note 11).

A tabular summary of our debt activity for the nine months ended September 30, 2021 is as follows:

	First Quarter	Second Quarter	Third Quarter	Nine months ended September 30, 2021
Net commercial paper borrowings	$ 7,072	$ (513)	$ (2)	$ 6,557
Issuance of Notes and Debentures[1]:				
U.S. dollar denominated global notes	$ 6,000	$ —	$ —	$ 6,000
Initial average rate of 1.27%				
Euro denominated global notes (converted to USD at issuance)	1,461	—	—	1,461
Rate of 0.00%				
2021 Syndicated Term Loan	7,350	—	—	7,350
BAML Bilateral Term Loan	2,000	—	—	2,000
Private financing	750	—	—	750
Other	636	—	835	1,471
Debt Issuances	$ 18,197	$ —	$ 835	$ 19,032
Repayments:				
Private financing	$ (649)	$ —	$ —	$ (649)
Other	(253)	(253)	(498)	(1,004)
Repayments of long-term debt	$ (902)	$ (253)	$ (498)	$ (1,653)

[1] Includes credit agreement borrowing.

The weighted average interest rate of our entire long-term debt portfolio, including term loans and the impact of derivatives, was approximately 3.8% as of September 30, 2021 and 4.1% as of December 31, 2020. We had $170,841 of total notes and debentures outstanding at September 30, 2021, which included Euro, British pound sterling, Canadian dollar, Mexican peso, Australian dollar, and Swiss franc denominated debt that totaled approximately $42,897.

At September 30, 2021, we had $23,755 of debt maturing within one year, consisting of $6,576 of commercial paper borrowings, $9,100 of bank borrowings, and $8,079 of long-term debt issuances. Debt maturing within one year includes an accreting zero-coupon note that may be redeemed each May until maturity in November 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 2021, we paid $4,013 of cash under our vendor financing program, compared to $1,965 in the first nine months of 2020. Total vendor financing payables included in our September 30, 2021 consolidated balance sheet were $3,752, with $2,866 due within one year (in "Accounts payable and accrued liabilities") and the remainder predominantly due within two to three years (in "Other noncurrent liabilities").

At September 30, 2021, 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 $11,319 during the first nine months of 2021, compared with $11,215 for the first nine months of 2020.

Dividends on common stock declared by our Board of Directors totaled $1.56 per share in the first nine months of 2021 and 2020. Our dividend policy considers the expectations and requirements of stockholders, capital funding requirements of AT&T and long-term growth opportunities. We do not expect changes to our dividend policy prior to the close of the pending WarnerMedia/Discovery transaction, which is expected to close in mid-2022. After close and subject to AT&T Board approval, we anticipate an annual dividend level of approximately $8,000 to $9,000 per year.

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 November 2020, we amended one of our $7,500 revolving credit agreements by extending the termination date. In total, we have two $7,500 revolving credit agreements, totaling $15,000, with one terminating on December 11, 2023 and the other terminating on November 17, 2025. No amounts were outstanding under either agreement as of September 30, 2021.

On January 29, 2021, we entered into a $14,700 Term Loan Credit Agreement (2021 Syndicated Term Loan), with Bank of America, N.A., as agent. On March 23, 2021, we borrowed $7,350 under the 2021 Syndicated Term Loan and the remaining $7,350 of lenders' commitments were terminated. As of September 30, 2021, $7,350 was outstanding and is due on March 22, 2022.

In March 2021, we entered into and drew on a $2,000 term loan credit agreement (BAML Bilateral Term Loan) consisting of (i) a 0.75 year $1,000 facility due December 31, 2021 (BAML Tranche A Facility), and (ii) a 1.75 year $1,000 facility due December 31, 2022 (BAML Tranche B Facility), with Bank of America, N.A., as agent. At September 30, 2021, $2,000 was outstanding under these facilities.

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 through June 30, 2023, a ratio of not more than 4.0-to-1, and a ratio of not more than 3.5-to-1 for any fiscal quarter thereafter. As of September 30, 2021, we were in compliance with the covenants for our credit facilities.

Collateral Arrangements
Most of our counterparty collateral arrangements require cash collateral posting by AT&T only when derivative market values exceed certain thresholds. Under these arrangements, which cover over 96% of our approximate $42,000 derivative portfolio, counterparties are still required to post collateral. During the first nine months of 2021, we posted approximately $570 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, 2021, our debt ratio was 49.7%, compared to 44.9% at September 30, 2020 and 46.7% at December 31, 2020. Our net debt ratio was 43.8% at September 30, 2021, compared to 42.1% at September 30, 2020 and 43.8% at December 31, 2020. 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.

On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment with a subsidiary of Discovery. The transaction is anticipated to close in mid-2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals. We expect to receive $43,000 (subject to adjustment) in a combination of cash, debt securities, and WarnerMedia's retention of certain debt. (See Note 8)

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

On May 17, 2021, in anticipation of the separation of WarnerMedia business from us, Spinco, a wholly owned subsidiary, entered into a $41,500 commitment letter (Bridge Loan). On June 4, 2021, Spinco entered into a $10,000 term loan credit agreement (Spinco Term Loan) consisting of (i) an 18 month $3,000 tranche (Tranche 1 Facility), and (ii) a 3 year $7,000 tranche (Tranche 2 Facility), with JPMorgan Chase Bank, N.A., as agent. In connection with the execution of the Spinco Term Loan, the aggregate commitment amount under the Bridge Loan was reduced to $31,500. No amounts were outstanding as of September 30, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk
Dollars in millions except per share amounts

At September 30, 2021, 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 $42,085 to hedge our exposure to changes in foreign currency exchange rates. These derivatives have been designated at inception and qualify as cash flow or fair value hedges with a net fair value of $(2,570) at September 30, 2021. We had no rate locks at September 30, 2021.

We have foreign exchange contracts with a U.S. dollar notional value of $191 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 cash flow hedges and economic (nonqualifying) hedges with a total net fair value of $(34) at September 30, 2021.

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, 2021. 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, 2021.

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.

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, workforce shortage, natural disasters, safety issues, economic and political instability and public health emergencies.
- The continued development and delivery of attractive and profitable wireless, video content 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 subscription and advertising revenue from attractive video content, especially from WarnerMedia, in the face of unpredictable and rapidly evolving public viewing habits and legal restrictions on using personal data for advertising.
- 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 or claims based on alleged misconduct by employees.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS - continued

- The impact from major equipment or software failures on our networks; 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; 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.
- Changes in our corporate strategies to respond to competition and regulatory, legislative and technological developments.
- Our ability to realize or sustain the expected benefits of our business transformation initiatives, which are designed to reduce costs, streamline distribution, remove redundancies and simplify and improve processes and support functions.
- Our ability to successfully complete divestitures, including the separation of the WarnerMedia business, as well as achieve our expectations regarding the financial impact of the completed and/or pending transactions.

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 for the year ended December 31, 2020 and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 various risks that may materially affect our business. We use this section to update this discussion to reflect material developments. For the third quarter of 2021, there were no such material developments.

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 2021 is as follows:

	(a)	(b)	(c)	(d)
Period	**Total Number of Shares (or Units) Purchased[1, 2, 3]**	**Average Price Paid Per Share (or Unit)**	**Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs[1]**	**Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under The Plans or Programs**
July 1, 2021 - July 31, 2021	100,782	$ 29.10	—	177,902,921
August 1, 2021 - August 31, 2021	99,720	28.09	—	177,902,921
September 1, 2021 - September 30, 2021	200,899	27.28	—	177,902,921
Total	401,401	$ 27.94	—	

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, 220,908 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, 180,493 shares were acquired through reimbursements from AT&T maintained Voluntary Employee Benefit Association (VEBA) trusts during the period.

Item 6. Exhibits

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

Exhibit Number	Exhibit Description
10.1	Amended and Restated Limited Liability Company Agreement of DIRECTV Entertainment Holdings LLC, dated July 31, 2021, among AT&T MVPD Holdings LLC, TPG VIII Merlin Investment Holdings, L.P. and DIRECTV Entertainment Holdings LLC (Exhibit 10.1 to Form 8-K filed on August 2, 2021)
10.2	AT&T Management Relocation Plan
10.3	Amendment to AT&T Executive Physical Program, Officer Disability Plan and Supplemental Life Insurance Plan
10.4	AT&T Inc. Health Plan effective January 1, 2022
10.5	AT&T Cash Deferral Plan as amended July 29, 2021
10.6	AT&T Stock Purchase and Deferral Plan as amended July 29, 2021
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, 2021, 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, 2021, (formatted as Inline XBRL and contained in Exhibit 101).

* Certain schedules (or similar attachments) have been omitted pursuant to Item 601(a)(5) or Item 601(b)(2) of Regulation S-K. The registrant agrees to furnish copies of such schedules (or similar attachments) to the U.S. Securities and Exchange Commission upon request.

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 4, 2021

/s/ Pascal Desroches
Pascal Desroches
Senior Executive Vice President
and Chief Financial Officer

Exhibit 10.2

Relocation Program – Plan

A Management Employees *Revised April 2020*

Getting Started

AT&T's relocation program provides financial and service assistance to employees who relocate at the company's request. The program is designed to address most events in a typical relocation and intended to ease the transition to the new location for you and your family. Our goal is to provide consistent and equitable treatment to all who qualify for this program.

The document outlines the various components available to you. We suggest you review it carefully and make note of any questions or further information you may need.

Who is Eligible?

To be eligible for the relocation program, the circumstances of your relocation must meet the requirements and company procedures listed below:

- A full-time management employee.
- Company-initiated transfer and your relocation has been approved prior to any action under this program.
- The commute to your new work location from your former residence is at least 50 miles greater than the commute from your former residence to your previous work location. This is not measured office to office.
- You must also establish a new residence within 40-50 miles of the new work location. Any new residence more than 50 miles from the new work location must be approved via Altair.
- The transfer is between locations within the U.S.
- All relocation activities must be completed within 12 months from your hire or job offer date.
- You have signed and returned a Relocation Repayment Agreement to your designated relocation consultant.

Relocation Repayment Agreement

Employees are required to sign a Relocation Repayment Agreement to start the relocation process. You'll return this form to your Altair relocation consultant. Services cannot start until you return your signed repayment agreement.

An employee who relocates at the company's request and voluntarily terminates employment or is terminated for cause within a one-year period will be required to repay all the relocation monies spent by the Company, including tax gross-up.

If you're involuntarily terminated (for any reason other than for cause), you won't be responsible for repayment of any relocation expenses, regardless of the duration of employment at the new location.



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Altair Will Administer Your Relocation

Altair Global is a full-service relocation management firm retained by AT&T to assist you with each step of your relocation. You'll have a primary point of contact at Altair, your relocation consultant, who will provide service, answer questions and address issues that arise.

In addition to normal business hours, once you're officially initiated into the relocation program, your relocation consultant is available evenings and weekends to assist you with any urgent aspect of your relocation.

Altair Global
3201 Dallas Pkwy, Ste 1200
Frisco, TX 75034
Toll Free: 877.290.8500
Direct: 972.468.3000

Expenses

Review this program document to understand what expenses are covered by the company as part of your relocation. Your company-issued corporate credit card(s) should never be used for any expense related to your move.

Tax Implications of Relocation Components

With the exception of equity advances and amended value sales, all of the amounts expended by AT&T on your behalf during relocation, whether reimbursed to you or paid directly to a service provider, will be included in your annual income. Relocation payments will appear on your W-2 issued in January of the following year.

AT&T will provide tax assistance for some of your taxable components through a process called "gross-up." Gross-up tax assistance is not subject to appeal by the Employee. **Other items are not subject to gross-up tax assistance. Federal, State, Local, Social Security and Medicare taxes will be withheld from these payments.**

Because of the complexities of income tax laws, Altair Global and AT&T will not assume responsibility for the tax implications of your relocation income. It is recommended that each employee seek professional advice and assistance in this matter; however, charges for such assistance are not reimbursable.

AT&T has year-end processing cutoff dates supplied by Payroll. To meet these deadlines each year there is a blackout period, typically the month of December, in which W-2 impacting relocation payments cannot be paid directly to you or on your behalf. Payments resume in early January of the following year.



ocation Components Tax Table

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Relocation Component	Taxable?	Grossed Up?
Miscellaneous Move Allowance	Y	N*
Lump Sum Allowance	Y	Y
Lease Cancellation	Y	Y
Home Sale – Amended Value Sale & Guaranteed Buyout Offer	N	N/A
Home Sale – Unassisted Sale if home IS NOT eligible	Y	Y
Home Sale – Unassisted Sale if home IS eligible	Y	N*
Equity Advance & Equity Disbursement	N	N/A
Home Sale Incentive	Y	N*
Loss on Sale	Y	Y
Rental Assistance / Finder's Fees	Y	Y
Home Purchase Closing Costs	Y	Y*
Household Goods Move	Y	Y
Auto Shipment	Y	Y
Storage of Household Goods	Y	Y
Family Acclimation Assistance	Y	Y

**Applicable taxes withheld at the time of payment*

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Navigating Relocation Program – Plan A

- Move Allowances
  - Miscellaneous Move Allowance
  - Lump Sum Move Allowance
- Lease Cancellation
- Home Sale Program
  - Home Sale Program
  - Guaranteed Buyout Offer
  - Equity Advance
  - Equity Disbursement
  - Home Sale Incentive
  - Loss on Sale
- New Home Finding Assistance
  - Rental Assistance
  - Home Buying Assistance
- Household Good Moving
  - Insurance
  - Moving Services
  - Household Goods Storage
  - Transportation of Automobiles
  - Special or Extraordinary Shipping Requirements Are Your Responsibility
  - Authorized Goods
  - Unauthorized Goods
  - Additional Exclusions
  - Important Information Concerning Household Goods Shipping
- Family Acclimation Assistance
- Program Information

Move Allowances

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

The relocation program does not specifically cover every expense you're likely to incur in your move. To help you cover these various costs for relocation expenses not expressly covered by the program, you'll be provided 2 separate components: A Miscellaneous Move Allowance (MMA) calculated based on your salary and a Lump Sum Allowance calculated by Altair.

Miscellaneous Move Allowance

The Miscellaneous Move Allowance (MMA) is equal to 7% of your base salary in the new location. The allowance may be used to help with expenses such as:

- Extending components beyond the program provisions, such as storage
- Household goods services provided on weekends or holidays (if mover can accommodate)
- Shipping extraordinary items, loss of frozen foods and plants in move
- Extra stops at origin or destination by the mover
- Enclosed car carrier
- Childcare fees
- Security or utility deposits
- Installation expenses for telephone, TV, cable, or satellite hook-ups
- Wiring new home for electronic systems
- House cleaning/trash removal
- Driver and car license reissues
- Moving, boarding expenses for pets
- Tax obligations not fully offset by gross-up
- Other unforeseen expenses

The money is yours to use as you wish; no accounting to Altair or AT&T is required. It is highly recommended you talk to a tax advisor at the beginning of your relocation and retain receipts for your personal tax records.

The MMA is reported as additional gross earnings, and appropriate taxes will be withheld at the time of payment. Refer to the *Relocation Components Tax Table* for further details.

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Lump Sum Allowance

AT&T provides a Lump Sum Allowance to assist with specific relocation expenses. Altair calculates the allowance based on your move locations, your family size and your departure home location status as a homeowner or a renter.

The allowance is calculated to cover expenses associated with:

- Home finding trip(s) – lodging, meals, and round-trip transportation
- Temporary living expenses – lodging, meals and return trips during temporary living
- Final move – lodging, meals, and one-way transportation

The Lump Sum Allowance is reported as additional gross earnings. The amount will be grossed up to help offset additional taxes. Refer to the *Relocation Components Tax Table* for further details.



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Lease Cancellation

AT&T provides reimbursement of documented lease cancellation and lost security deposit expenses in an amount up to 2 months' rent. Pet deposits are not eligible for reimbursement.

You must have signed your lease prior to the date of the official relocation and must provide Altair with a copy of the lease agreement and written details of the arrangements you made with the landlord.

Reasonable costs associated with breaking a lease will be reimbursed, including:

- Lease cancellation fees.
- Untenanted rent upon vacate.
- Forfeited security deposits.

The following supporting documentation must be provided to your relocation consultant:

- Copy of the lease.
- Letter from landlord documenting expenses owed.
- Proof of payment

Lease cancellation expense reimbursement is reported as additional gross earnings, and the amount will be grossed up to help offset ıxes. Refer to the *Relocation Components Tax Table* for further details.

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Home Sale Program

The sale of your home may be one of the most critical factors in accomplishing a successful relocation. The Home Sale Program provided by AT&T through Altair is designed to help you obtain a suitable price for your home in a reasonable period. The plan is also structured to save money for AT&T and you by providing the opportunity for significant tax savings.

Contact Altair First!

You must work with Altair to remain eligible for the home sale component. Do not contact any broker or agent about listing your home for sale until you have spoken with your Altair consultant or you may lose financial assistance in selling your home.

Home Sale Program

It is in your best interest to work closely with your broker and Altair to find a buyer for your home. AT&T's Home Sale Program is designed to help you market your home effectively.

- Altair provides continuous support in marketing your home, evaluating offers and advising you throughout the process.
- Closing your home sale through a carefully structured program called the Amended Value Sale provides tax advantages for AT&T and you.
- If you're not able to find an outside buyer, AT&T, through Altair, will make an offer to purchase your home. Refer to *Guaranteed Buyout Offer* for more information.

Eligibility of the Home

To be eligible for the Home Sale Program, your home must meet the following criteria:

- The residence is a one-family or two-family home, townhouse, or condominium.
- The home is your primary residence on the effective date of the transfer and you're currently living there.
- You're the owner of the property and you have good and marketable title to the property.
- The residence is in good and marketable condition.
- The residence is not presently under renovation.
- You know of no hidden or latent defects for which you might later be held responsible.
- The property is less than 5 acres.
- The property is in a U.S. state.

Some properties are ineligible for the home sale program. AT&T reserves the right to refuse handling of any property. The following list is not all inclusive but will give you some common examples:

- Properties housing more than 2 families
- Properties located in a U.S. territory

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

- Cooperative apartments
- Mobile homes and/or trailers
- Residences that require an association's approval of purchaser
- Secondary tracts of land
- Farm properties
- Homes with structural problems to the extent they are deemed, by a qualified structural engineer, to be unsalable
- Homes involved any form of litigation or pending litigation
- Short sales
- Homes ineligible for standard financing
- Any home built with synthetic stucco
- Homes constructed with LP, composite, or masonite siding (unless remediated); or containing any other materials which are involved in, or could be potentially involved in, a class action lawsuit
- Homes with excessive levels of hazardous substances
- Homes with leased items such as solar panels, HVAC systems, security systems, water purification systems, etc. All systems associated with the home must be fully owned by the employee.
- Vacation homes
- Investment properties
- Apartment buildings



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Unassisted Home Sale

If your home is ineligible for the Guaranteed Buyout Offer

If your home does not qualify for the Home Sale Program according to the above criteria, or by the judgment of Altair and AT&T, you'll be responsible for selling your home directly to a buyer, and you'll be reimbursed for covered expenses. For reference, a list of reasonable and customary home sale expenses covered by the Company can be found within Step 7 of the Step-by-Step Guide to Home Sale Program. Your home sale expense reimbursement will be grossed up.

If you sell your home through this method, you *will not* be eligible for Loss on Sale, Equity Advance, or the Home Sale Incentive.

If your home is eligible for the Guaranteed Buyout Offer

If your home does qualify according to the above criteria and you choose not to participate in the Home Sale Program, you'll be responsible for selling your home directly to a buyer. You'll still receive reimbursement for reasonable and customary home sale expenses; however, **this reimbursement will not be subject to gross–up tax assistance.**

If you sell your home through this method, you *will not* be eligible for Loss on Sale, Equity Advance, or the Home Sale Incentive.

Step-by-Step Guide to Home Sale Program

The following steps ensure compliance with the program. If these steps are altered in any way, your home sale assistance and the tax advantages could be put at risk.

Step 1: Contact your Altair consultant before attempting in any way to sell your home.

As soon as AT&T authorizes Altair to provide services, your consultant will contact you to discuss your relocation. This discussion will cover all aspects of your relocation program, as well as a specific conversation about your home and next steps for beginning the home sale process.

Step 2: Broker's Market Analysis

After the initial discussion, once you have indicated you're ready to proceed, your consultant will order 2 Broker's Market Analyses of your home. A Broker's Market Analysis (BMA) is performed by a real estate broker based on the current real estate resale activity in the community. Each Analysis will compare your home with other similar, recently sold homes to attempt to answer the question:

What will the home sell for in the next 3 to 4 months with usual financing for the area?

The BMAs will be thoroughly reviewed with you. The average value of the BMAs will be the basis for the initial listing price for your home under the Home Sale Program. It is strongly recommended the home be listed for no more than 5% over the average of the 2 BMAs' most probable sales price. (Following the appraisal process, you'll need to adjust your list price, so it is not more than 5% over the value provided in your Guaranteed Buyout Offer.)

Employees are required to utilize a broker who is qualified by Altair Global to remain eligible for the Home Sale and Home Purchase Components of this Plan. Agents may not be a relative or spouse/domestic partner of the employee, nor may they be an AT&T employee. Employees not using an approved realtor will be required to pay a referral replacement fee.



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Step 3: Inspections

Altair will order customary inspections (general, wood destroying organism, etc., as well as provide a radon warranty) at the time appraisals are ordered (see *Guaranteed Buyout Offer* for more details on that process). You're required to correct any issues noted by the inspections; Altair may re-inspect your home after repairs have been made. These inspection reports legally must be disclosed to any potential buyers.

Repairs identified will be defects (i.e., leaks, faulty furnace or water heater, structural issues, roof concerns.) and do not include cosmetic items such as painting or replacing carpet, unless those items are required by a lender. **It is important to note repairs required by Altair, on behalf of AT&T, must be completed even if you have an offer from a buyer who may indicate they will complete the purchase without the repairs.** In an Amended Value Sale, Altair and AT&T are the buyer of your home even when there is an outside offer.

Step 4: Selecting a broker or agent to sell your home

Once the BMAs are completed and reviewed, you'll select one of the agents who completed a BMA to list your home. Talk over your broker preferences with your Altair consultant. If you wish to consider additional brokers, Altair will provide referrals and request BMAs from the agent(s). Approval must be granted before you speak with an agent or take any action regarding the listing of the home. The agent you select is extremely important to achieving the highest possible resale price in the shortest time, so choose carefully.

Step 5: Listing your home for sale

Once you've selected an agent, you'll enter into listing agreement. Note the following important guidelines for listing your home:

- **The exclusion clause addendum must accompany the listing agreement**. This clause prevents payment of double commission when the home is sold. The Exclusion Clause document will be provided to you by Altair.
- **The commission should not exceed 6%** without approval in advance by Altair.
- The term of any listing agreement should not exceed 90 days.
- Establish a realistic list price for the home based on the BMAs and feedback from Altair.
- **You must complete a home sale disclosure statement.** Every home seller has certain duties and obligations to a buyer, including full disclosure of all pertinent information about the condition of the home and its surroundings. Altair will provide a disclosure that is required; however, it is possible your agent will provide an additional disclosure if required by local/state custom.

Step 6: Work closely with the broker and Altair to locate a buyer for your home.

Based on marketing and agent feedback, your consultant may make marketing and pricing recommendations, as well as note market activity that might impact the sales strategy. You're encouraged to carefully evaluate these recommendations, but you're not required to accept them.

Step 7: Review any purchase offers on the home with Altair.

Contact your Altair consultant immediately when you receive any offer to purchase your home to discuss the terms of the offer and impact to you.



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

You must not sign any purchase offers or accept any earnest money. Your Altair consultant will instruct you on how to proceed.

Signing any purchase offer or accepting any earnest money deposits from a buyer or broker will place your home sale assistance at risk. If an offer from a buyer is acceptable to you and meets the requirements of the home sale program, Altair will sign the contracts. Altair's obligation to you and AT&T is to determine if the buyer is qualified and if the offer is acceptable.

It is important to proceed with care; some costs may not be covered. Should the buyer's contract require the seller to pay any concessions or buyer's expenses at closing, those costs will be deducted from your equity. The following list provides general guidelines for consideration as you negotiate; however, you should consult Altair if there is any question about whether a cost will be paid under AT&T's program.

Home Sale Closing Costs AT&T Will Pay *(if normally required of seller)*	*Home Sale Closing Costs AT&T Will Not Pay* *(examples, not all inclusive)*

• Document preparation fees
• Survey fees
• Mortgage release fees
• Recording fees
• Transfer taxes
• Title insurance
• Closing and legal fees
• Escrow fees
• FHA/VA fees (required by seller)
• Attorney fees if an attorney is required to handle the actual closing
• Termite or pest inspection
• Radon inspection or warranty, if necessary
• Normal and reasonable real estate broker's commission (not to exceed 6% of purchase price, unless approved in advance by Altair)
	• Discount points (FHA, VA or conventional)
	• Escrow
	• Insurance
	• Utility bills
	• Property taxes
	• Rent
	• Seller concessions included in the contract with the buyer, including buyer's closing costs, home warranties, repairs, remodeling, restoration, or renovation of any kind
	• Expenses to remedy and bring to acceptable standards hazardous conditions in the home, such as:
	  • Radon gas
	  • Friable asbestos
	  • Lead-based paint
	  • Urea formaldehyde foam insulation
	  • Underground storage tanks containing toxic materials
	  • Similar environmental hazards
	  • Pest control

Step 8: Amended Value Sale

Amended Value Sale is the process utilized when you find a buyer for your home. Per IRS guidelines, the Amended Value Sale must consist of 2 separate, arm's length transactions:

- Altair purchases the home from you at the same net price and terms as the outside offer received and accepted from a buyer.

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

- Altair, as the owner of the property, sells the home to the outside buyer at the accepted price. If something should happen to prevent this second sale from taking place after your home is acquired by Altair, you're not affected.

Because Altair, on behalf of AT&T, is buying your home based on the value of the offer you have received, Altair must be sure the offer is acceptable. An acceptable offer under the Amended Value Sale program must meet certain requirements, including:

- Buyer's closing date must be within 60 days of the contract date.
- The contract must not be contingent on the sale of the purchaser's home. It can, however, be contingent on the close of buyer's current home if already under contract and the closing is scheduled to occur within thirty (30) days of the contract date between Altair and the outside buyer.
- The contract cannot contain contingencies other than inspections and buyer's approval for financing.

If Altair cannot accept the contract of sale because the buyer is not qualified with a bona fide offer, you must continue to market the home.

Step 9: Closing an Amended Value Sale

For Altair to ultimately acquire the home from you, you must complete the required home sale documents sent to you by Altair and Altair's title partner. The packages will include the Contract of Sale between you and Altair, certain financial information forms and a general warranty deed that will subsequently be used by Altair to convey title.

While these forms are not required until Altair is ready to acquire the home from you, it's recommended you (and your spouse/partner, if applicable) execute the documents as soon as possible before a Notary Public and return them. Waiting to return the documents could delay Altair's ability to enter a contract with a buyer and ultimately acquire the home from you. In addition, these documents allow Altair to close on the sale of the home without you needing to be present at the closing of the sale.

You'll receive your equity directly from Altair. Review *Equity Disbursement* for more details.

Step 10: Cost of Ownership

You're responsible for such costs of ownership as property insurance, taxes, utilities, maintenance, and interest on the mortgage through the effective date of the contract of sale between you and Altair or the vacate date, whichever is later. The equity statement from Altair will provide a detailed accounting of your home sale transaction.

You may cancel your property insurance as of the vacate or contract execution date, whichever is later. However, for liability purposes Altair advises your property insurance to remain in effect until your new policy is in force. **It's your responsibility to contact your insurance carrier to advise of cancellation.**

Altair will advise you when to discontinue making your mortgage and other payments. If you have arrangements for payments to be automatically drafted from your account, it will be your responsibility to cancel the automatic draft(s) as of your acceptance or vacate date whichever is later. It is imperative you discuss with your relocation consultant when to request this cancelation, as refunds for overpayments will likely be delayed until after closing.

Step 11: Vacating the Home

You'll need to plan to vacate the home within 24 hours from Altair's scheduled closing with the outside buyer. Notify your agent and Altair of when you plan to vacate, as your real estate broker will need to decide to pick up your house keys, warranties, garage door opener



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

controls and other such necessities. Your consultant will notify you when to transfer utilities to the broker's name, but do not request the utilities be turned off as this will result in reconnect charges. Be sure to contact the utility companies to provide your forwarding address for your final bills.

It will be necessary to leave the home in cleanly swept condition with all personal property, trash and debris removed to avoid being charged for cleaning charges later. If necessary, cleaning charges will be withheld from the refund of the vacate holdback. The vacate holdback is a temporary holding of a small amount of equity which is eligible to be released to you once you have permanently vacated the property and Altair has verified property condition.



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Guaranteed Buyout Offer

When you're ready to begin the appraisal process, Altair will initiate the appraisal orders based on your appraiser selections to establish a Guaranteed Buyout Offer (GBO) on behalf of AT&T. The GBO is intended to make it possible for you to move with confidence, knowing you may accept Altair's offer if an acceptable outside offer is not received.

Required Marketing Period

Once you have received your GBO, you'll be required to market your home under the Home Sale Program for an additional 90 days before you may accept the Guaranteed Buyout Offer made by Altair on behalf of AT&T; however, the offer will be good for a total of 120 days from the date the offer is extended. The required marketing period begins on the day you receive your GBO offer.

You'll need to adjust your listing price to within 105% of the GBO value, if necessary, at the time you receive your GBO from Altair.

Relocation Appraisals determine the value of the GBO

You'll select appraisers from a list presented to you by Altair. Once you're ready to begin the appraisal process, Altair will initiate the order for 2 appraisals. The appraisers will be local, independent appraisers who, once selected, will be hired by Altair to appraise your home.

The primary intent of the home sale program is to assist you in locating a buyer. It is not AT&T's goal to purchase the homes of our employees. Therefore, the appraisers are asked to objectively evaluate your home to estimate **the most probable selling price after a reasonable market exposure**. This definition of value differs from a bank or mortgage appraisal and may also differ from what a specific buyer might be willing to pay for your home. The GBO is provided as a fallback offer, available to you if you do not locate a buyer. We will purchase your home at a price that should enable us to re-sell it within a reasonable amount of time.

The GBO value will be the average of the 2 appraisal values; however, if the lower value of the 2 appraisals is not within 5% of the higher value, a 3rd appraisal will be ordered based on your appraiser selections. If this occurs, the GBO will be the average of the *2 closest values*. (The Brokers' Market Analyses discussed previously in *Home Sale Program*, will not be included in the average.)

The GBO is contingent on the results of the inspections (refer to *Home Sale Program Step 3*). Repairs identified through these inspections are your financial responsibility and must be completed before equity is released. Repairs are subject to re-inspection.

Amended Value Sale

If, before accepting your GBO, you receive an offer from an outside buyer that you wish to consider, work with your broker and Altair consultant to negotiate the offer so it may be closed as an Amended Value Sale.



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Accepting the Guaranteed Buyout Offer

You may accept the GBO at the end of the 90-day marketing period or you may continue to market the home until the end of the acceptance period of the GBO. The acceptance period of the GBO is 120 days, beginning with the date the GBO is extended.

To accept the GBO, you'll need to:

- Return the executed Contract of Sale and all associated documents. Several of the documents require acknowledgment of a Notary Public. All documents must be in Altair's possession by the 90th day if you wish to accept at that time, but no later than the end of the 120th day.
- Address all repair items from the inspections (see 'Step 3: Inspections' for more information).

It is important to note the following once Altair has acquired the home from you:

- You'll be given thirty (30) days from acceptance of the GBO to vacate the property.
- If you accept the GBO, you'll be responsible for insurance, taxes, utilities, maintenance, principal, and interest on the mortgage through the date of acceptance of the GBO or the date the property is vacated, whichever is later.

Equity Advance

If you need access to your equity to close on the purchase of a new home in the new work location, you may request an equity advance of up to 90% of the equity in your current home, based on the GBO value. The advance is not a mortgage loan. The following guidelines will apply:

- The advance may not exceed 90% of the equity based on the GBO but will only be made for the amount you need.
- The total amount of the advance must be used exclusively toward the purchase of a new residence.
- You must sign a promissory note and agree to repay the advance upon completion of the sale of the former residence. The term of the promissory note is 120 days.

If you're an executive of the company as defined by the Sarbanes-Oxley Act, your equity will be disbursed at the time you accept the Guaranteed Buyout Offer and execute the required paperwork.

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Equity Disbursement

Equity will be disbursed (minus $500 holdback) by Altair once you have met all the requirements for the Home Sale Program:

- You have a bona fide offer on your home and all contingencies have been met (except for buyer's written mortgage approval)
- Repairs have been completed, receipts have been provided to your consultant and re-inspection has been completed (if applicable); Altair may withhold for repair costs for certain, pre-approved repairs only
- All appropriate contracts have been completed and returned to Altair, then executed by Altair

Allow 5 business days after Altair acquires the home from you for calculation and disbursement of equity. Note that while not common, there could be a delay in processing equity if necessary, information from the lender, taxing authorities, insurance company or HOA are delayed. Unless otherwise arranged, Altair will direct deposit the funds into your account.

The $500 holdback will be refunded to you after you have permanently vacated the property and Altair has verified property condition.

Home Sale Incentive

AT&T offers you an incentive to encourage you and your family to work closely with Altair and your real estate broker to locate a buyer and proceed with your relocation. If you negotiate an Amended Value Sale that is at least 95% of your GBO, you'll be eligible to receive a bonus of 2% of the sales price of the home up to $15,000. If the Amended Value Sale is less than the GBO but at least 95% of the GBO value, you'll remain eligible to receive the GBO value AND the incentive.

The bonus is reported as additional gross earnings. Appropriate taxes will be withheld at the time of payment. Refer to the *Relocation Components Tax Table* for further details.

Loss on Sale

AT&T is prepared to assist you if you must sell your home for less than you paid for it originally. Loss on Sale is defined as the difference between the original amount you paid for the home, less the greater of the actual selling price of the home under the Amended Value Sale or Guaranteed Buyout Offer through Altair.

- For homes owned less than 2 years, 100% of the loss will be covered.
- For homes owned 2 years or more, 100% of the loss will be covered, up to 20% of the original purchase price.

Capital improvements will not be considered in the calculation of the loss on sale. Repairs that need to be made to affect the sale of the home to an outside buyer or Altair are also not included in this assistance.

You must provide proof of the original price you paid for the home, such as the Closing Disclosure or comparable documentation. will be made for special financing or other concessions (discount points, closing costs, etc.).

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

It is not recommended you disclose this information to your real estate agent, prospective buyers, or any other individual associated with the sale of the home.

Loss on Sale is reported as additional gross earnings, and the amount will be grossed up to help offset additional taxes. Refer to the *Components Tax Table* for further details.

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

New Home Finding Assistance

Rental Assistance

To assist employees intending to rent or lease a home or apartment in the new location, the Company provides for the payment of a finder's fee to locate a suitable home in the new area. The reimbursement of a finder's fee is applicable only in areas where this charge is typical and customary. Reimbursement may not exceed $1,000 and does not apply to interim living rentals.

Reimbursement of finder's fees is reported as additional gross earnings, and the amount will be grossed up to help offset additional taxes. Refer to the *Relocation Components Tax Table* for further details.

Rental assistance **OR** new home closing costs will be provided, but not both. You should utilize the assistance that aligns with your plans for permanent housing, keeping in mind relocation assistance must be utilized within 12 months.

Home Buying Assistance

If you intend to purchase a new primary residence in the new work location, assistance is provided in finding a home. For current homeowners, it is recommended the GBO be established prior to contracting to purchase a new home.

Do not contact any real estate professional at the destination without the guidance of your Altair consultant. Employees are required to utilize a broker who is qualified by Altair Global to remain eligible for the Home Sale and Home Purchase Components of this Plan. Agents may not be a relative or spouse/domestic partner of the employee, nor may they be an AT&T employee. Employees not using an approved realtor will be required to pay a referral replacement fee.

Altair will ensure you have an agent to assist you with:

- Familiarization with the new location
- Reviewing the types of housing available in the area
- Special needs and interests
- Commute times to and from the office
- Determining the price range of homes in areas of interest
- Pre-screen homes

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Mortgage Assistance

One of the critical aspects of buying a new home is obtaining mortgage financing. Altair will provide you with a list of representatives of selected national mortgage companies that will offer loan programs available to you. You're not required to use any of the lenders referred by Altair, but they typically offer mortgages at competitive interest rates and reduced fees and are familiar with the unique circumstances involved with relocation.

Your designated mortgage company will provide details on financing your transaction. Your consultant will review your closing documents to make certain the charges are in order, consistent with your negotiated purchase contract and within the limits of reimbursements that will be paid by AT&T. All expenses covered by AT&T will be paid by Altair at closing.

Home Purchase Closing Costs Assistance

AT&T is prepared to assist you with normal buyer's closing costs when you purchase a new primary residence at the new work location. To receive this assistance, you must close the purchase of your new home within your one-year relocation period.

Closing Procedures

Your mortgage company will provide details on financing your transaction. Your consultant will review your closing documents to make certain the charges are in order, consistent with your negotiated purchase contract and within the limits of reimbursements that will be paid by AT&T. All costs eligible for coverage under the AT&T program will be paid by Altair at closing.

Covered Closing Expenses

Reasonable, customary, and non-recurring buyer's closing costs, which may include the following:

- Appraisal fee if required by lending institution
- Credit report
- Settlement or closing fee
- Title insurance
- Document preparation, Notary & Attorney's fees
- Government recording and transfer charges (only if required of the buyer)
- Survey (only if required of the buyer)
- Pest or termite inspection (only if required of the buyer)
- Application fee, commitment fee, processing fee, etc.
- HOA transfer fee

Note: The items listed above are not all inclusive. Eligible expenses may vary by local custom. Your consultant will advise you regarding expenses covered by AT&T.

Non-covered Closing Expenses

Specifically **excluded** are prepaid expenses such as those noted below:

- Prorated interest
- Taxes

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

- Homeowner's insurance
- Mortgage insurance
- Earnest money payments
- Property mortgage insurance for insufficient down money
- Tax or insurance escrow
- Home warranties
- Any fees associated with second mortgages

Covered home purchase expenses are reported as additional gross earnings, and the amount will be grossed up to help offset additional taxes. Refer to the *Relocation Components Tax Table* for further details.

Discount Inventory Homes

AT&T employees may purchase relocation inventory homes in "as is" condition at an 8% discount off the list price of the home. To qualify for the discount and receive more information, employees must have their real estate agent contact the listing agent; contact the listing agent directly themselves; or send an email to the HR Relocation Team.



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Household Goods Moving

Moving your household goods is a critical part of your relocation. AT&T has contracts with van lines to handle the movement of your goods. You'll be provided with the list of approved carriers to review and interview, if desired. Once you have selected your preferred carrier, notify your Altair consultant. Your consultant will then arrange for a move coordinator with the selected van line to contact you and provide more details surrounding the movement of your household goods.

AT&T will only pay to move goods from your approved origin location to the new primary residence in the vicinity of your new official work location.

Packing and loading dates should be arranged with the mover as early as possible. Even if you do not have specific dates in mind, **it is never too early to contact the movers.** Every attempt will be made to provide service on the dates you request. However, keep in mind AT&T will not authorize or reimburse additional costs of weekend or holiday service. In many instances it may be necessary to schedule your move 4 or more weeks in advance.

All covered and approved moving costs will be direct billed. You'll be responsible for any services you contract with the van line outside of the components expressly included in this program.

Insurance

Replacement cost insurance up to $150,000 is provided at no cost to you. If you require additional coverage more than that provided, you should arrange to ensure you have adequate coverage.

Moving Services

The selected household goods carrier will pack, load, insure, transport, deliver and unpack, if you wish, your normal household goods. Unpack service is not "put away service" but rather placing all goods from boxes onto the nearest flat surface which, in many cases, could be the floor, counter tops, etc. Your van line representative will discuss this process with you in greater detail.

Depending on the complexity of services you require, some additional services may be performed by your moving company or a third-party service firm when deemed necessary by the mover and within reasonable costs. Such "third-party" services will be considered for normal household goods only and will not include service for items affixed to the property.



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Household Goods Storage

Storage of household goods and personal effects in transit will be covered up to 60 days, **but only if storage is unavoidable**. The only storage costs covered will be at the approved van lines storage (not mini storage). If storage is required for more than 60 days, the charge will be collected from you by the mover.

If you choose to build or remodel a home in the new location, you'll be responsible for costs beyond the time allowed by this program.

Transportation of Automobiles

AT&T will pay for shipping 2 personal automobiles per household. The vehicles must be in working order, registered, and must fit on a standard car carrier or moving van. Shipment of classic or antique automobiles is not covered. Personal requests for enclosed car carrier service will be collected from you by the mover. Storage of automobiles is not covered.

You're responsible for the movement of any additional personal automobiles at your own expense.

Special or Extraordinary Shipping Requirements Are Your Responsibility

Plans should be made in advance for items requiring special or extraordinary handling. These shipping arrangements and the costs will be your responsibility but call the mover directly for advice.

AT&T will not pay for charges by the moving company to pick up or deliver any furnishings or material at any site other than your primary residence including but not limited to self-storage and temporary housing. You will be responsible for paying the mover for this additional service.

Authorized Goods

- Clothing and personal items
- Furniture and fixtures (not attached to the house)
- Major appliances
- Garage tools and lawn equipment
- Pianos
- Grandfather clocks
- Pool tables
- Exercise equipment, treadmills, elliptical machines, stationary bikes
- Snowmobiles, ATVs, and small, personal recreational vehicles



AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Unauthorized Goods

The van line will provide a more complete list of items not authorized to ship, but keep in mind the following list of items for which AT&T will not authorize transportation.

- Boats greater than 26 feet in length, trailers, airplanes, motorcycles 250 cc and over, off-road vehicles, travel trailers, pop-up trailers, camper inserts for pick-up trucks, campers, motor homes, livestock trailers
- Livestock or domestic animals
- Frozen/perishable foods including wine
- Liquids in unsafe containers/flammable liquids, items that may contaminate or damage other goods
- Valuable papers, jewelry, coins, stamps, fine collectibles, and items of extraordinary value (These items should never be handled by the mover and will not be covered by insurance.)
- Heavy machinery/tractors/farm equipment larger than normally required for yard and garden maintenance
- Lumber or other building materials, including bricks and landscaping pavers
- Antiques and fine art
- Animal-drawn carriages or wagons, vintage and show automobiles
- Storage sheds, greenhouses, playhouses, or other outside buildings
- Hot tubs/spas/above-ground pools
- Live ammunition
- Any other items which cannot be packed or moved by a standard commercial carrier
- Any goods/materials prohibited by law
- Live plants

Note: Gas grills may be shipped but propane tanks will not be accepted by the movers, even if empty; propane tanks are restricted from transport.

Additional Exclusions

The following are excluded in AT&T's mover contracted services; however, in some cases, the mover may be able to quote a price for these services. In those cases, you may pay the mover directly using your *Miscellaneous Move Allowance*.

- Weekend or holiday service
- Maid service or housecleaning service
- Tips to movers
- Disassembly of swing sets, basketball goals, or similar personal property
- Insurance for items of extraordinary value or insurance above the coverage provided by AT&T.
- Disassembly/assembly of play gyms, television/radio antennas, chandeliers, flagpoles, etc. If such items are disassembled prior to packing, they may be transported. **If movers assemble or disassemble unusual items, you'll be responsible for those costs.**
- Establishing services such as power, water, gas, telephones, etc.
- Exclusive use of moving van or space reservation
- Unauthorized extra pickups or deliveries
- Unauthorized overtime packing and unpacking

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

- Unauthorized crating

Important Information Concerning Household Goods Shipping

- Valuables such as jewelry, coin and stamp collections, baseball cards, comic books, computer programs, currency, precious metals, gems or semi-precious stones, rare documents, or most other collectibles should be set aside and transported with you when you travel.
- Be certain to ask the representative of your moving company about items of high value when he or she visits your home to inventory your belongings.
- Accompany the mover through the home as he or she inventories and tags each item to be moved. Plan to check off the items at the destination as well; otherwise, you may have difficulty with claims settlements should they prove necessary.
- You or your representative are required to be present during packing and loading. Do not release the drivers until a complete inspection of the home and property has been accomplished, since items left behind could result in extra charges to you not covered under AT&T's relocation program.
- Detach items that are to be moved, such as wall-mounted can openers and coffee makers, pictures, posters, curtain rods, attached bookcases and the like. Unplug appliances and electrical devices such as stereos and computers; if possible, stow the connecting cords and cables.
- Remove all items from refrigerators. Unplug, defrost, clean, and let stand open to dry at least 24 hours in advance of loading.
- In the event damage occurs during the shipment of your goods, advise your Altair consultant within 90 days from the date of delivery so the claims process can be initiated. If the move in/out results in damage to your residence contact your moving company representative immediately.
- If you have items in temporary storage, give the shipper maximum possible advance notice of the date you prefer delivery. Fourteen days is recommended to ensure the availability of your preferred dates.
- Keep your utilities on at the old location until at least the day after the scheduled completion of packing and loading.

Household goods moving, auto shipment and storage expenses are reported as additional gross earnings, and the amount will be grossed up to help offset additional taxes. Refer to the *Relocation Components Tax Table* for further details.

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Family Acclimation Assistance

AT&T recognizes many employees relocate with a spouse/partner and/or family. The spouse or partner may need to find employment at the new location. Additionally, there may be special needs for relocating families such as adult care facilities for parents, special schools, or activities for children, etc.

AT&T provides assistance through a company called IMPACT Group to help support these efforts.

Family acclimation assistance is reported as additional gross earnings, and the amount will be grossed up to help offset additional taxes. Refer to the *Relocation Components Tax Table* for further details.

Program Information

Program Control

The intent of the relocation program is to provide reasonable, consistent, and cost-effective financial assistance and quality services to employees who relocate at the request of the company. It does not offer or imply all relocation costs will be fully compensated. The cost and structure of this program have been developed with specific components which are not intended to be substituted, altered, or modified in any way. If you choose to work outside the program, certain components may not be available to you.

Need help?

Additional Information

Contact your **Altair relocation consultant** directly or call 877.290.8500.

This is a reference only and is not a contract. AT&T reserves the right to change, alter, modify, or delete any provisions of the program at any time, with or without prior notice. Individual Business Units and employees may not modify this program. Material, financial and/or substantial changes may only be made by the Human Resource Officer direct reports to the Chairman.

AT&T Proprietary (Internal Use Only) Not for use or disclosure outside the AT&T companies except under written agreement.

Amendment Regarding Continuation of Active Employee Participant Benefits in Certain AT&T Benefit Plans in Connection with DIRECTV Transaction

This Amendment pertains to the following plans (the "In-Scope Plans"): (i) Executive Physical Program, (ii) Officer Disability Plan, and (iii) Supplemental Life Insurance Plan. The In-Scope Plans are amended to provide for a coverage continuation period (the "Coverage Continuation Period") to be provided to those Officer level employees designated as Transitioned Executives for purposes of this Amendment by the Senior Executive Vice President – Human Resources of AT&T Inc. or her delegate (the "Transitioned Executives"). The Coverage Continuation Period begins on July 31, 2021, the date of closing of the DIRECTV transaction (the "Closing") and shall continue through December 31, 2021 (the "Coverage Continuation Period End Date"). Provided, however, with regard to any Transitioned Executive whose employment with DIRECTV Entertainment Holdings, LLC or any of its subsidiaries terminates prior to the Coverage Continuation Period End Date, the Coverage Continuation Period for such Transitioned Executive shall end on the date of such termination of employment and that date would be the Coverage Continuation Period End Date for such Transitioned Executive.

During the Coverage Continuation Period, the Transitioned Executives shall continue to participate in the In-Scope Plans, applicable to each Transitioned Executive, as if they were active employee participants, subject to all applicable plan provisions. The following additional terms and conditions shall apply with respect to the Coverage Continuation Period:

- Only those individuals designated as Transitioned Executives are eligible for the Coverage Continuation Period. The job level of each Transitioned Executive, denoted in the designation of the Senior Executive Vice President – Human Resources of AT&T Inc. or her delegate, shall determine the In-Scope Plans applicable for each such individual during the Coverage Continuation Period.
- The Coverage Continuation Period will cease on the Coverage Continuation Period End Date. For those Transitioned Executives who were eligible for retiree participant coverage under the terms of an applicable In-Scope Plan as of the date of Closing, such retiree participant coverage shall commence as of the next day following the Coverage Continuation Period End Date.
- Supplemental Life Insurance Plan ("SLIP") - The SLIP death benefit values will be based on compensation levels in effect on the day prior to the Closing (so that any post-Closing compensation changes do not impact SLIP benefits) for coverage during the Coverage Continuation Period or with respect to any retiree participant coverage.

Except as set forth above, the terms of the In-Scope Plans shall remain in full force and effect and are not impacted by this Amendment.

This Amendment is effective as of the date of the Closing.

AT&T HEALTH PLAN

Effective January 1, 2022

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:

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

2.2 **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.

2.3 **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.

2.4 **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.

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

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

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

2.8 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.

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

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

2.11 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.

2.12 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.

2.13 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.

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

2.15 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.

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

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

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

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

2.20 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.

2.21 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.

2.22 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.

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

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

2.25 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.

2.26 Plan Year. ”Plan Year” shall mean the calendar year.

2.27 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.

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

2.29 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

2.30 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

3.1 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.

3.2 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.

3.3 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

4.1 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.

4.2 **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

5.1 **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).

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

6.1 **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

7.1 **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.

7.2 **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.

7.3 **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.

7.4 **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.

7.5 **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

8.1 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.

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

(1) 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;

(2) "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.

(3) “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.

(4) “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.

8.3 **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.

8.4 **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.

8.5 **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:

(1) 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.

(2) 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.

(3) 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

9.1 **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.

9.2 **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.

9.3 **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.

9.4 **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.

9.5 **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.

9.6 **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.

9.7 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).

9.8 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.

9.9 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

10.1 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.

10.2 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.

10.3 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.

10.4 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.

10.5 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.

10.6 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.

10.7 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.

10.8 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.

10.9 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

11.1 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.

11.2 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.

11.3 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.

11.4 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.

11.5 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).

11.6 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.

11.7 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
2022 Monthly Contributions, Annual Deductible, Coinsurance Percentages and Annual Out-of-Pocket Maximum

Active Participants

Monthly Contributions	Individual - $ 238 Individual + Spouse - $ 389 Individual + 1 or More Children - $ 256 Individual + Spouse + 1 or More Children - $ 606
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 - $ 7,050 All other tiers- $ 14,100 (individual amount of $ 7,050)

Retired Participants – Monthly Contributions

Retired Prior to August 31, 1992 and Surviving Spouses	Individual - $ 253 Individual + Spouse - $ 253 Individual + 2 or More - $ 253	
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 - $ 766 Individual + Spouse - $ 1,226 Individual + 1 or More Children - $ 766 Individual + Spouse + 1 or More Children - $ 1,363
	Class B	Individual - $ 913 Individual + Spouse - $ 1,369 Individual + 1 or More Children - $ 913 Individual + Spouse + 1 or More Children - $ 1,661
	Class C	Individual - $ 1,133 Individual + Spouse - $ 1,586 Individual + 1 or More Children - $ 1,133 Individual + Spouse + 1 or More Children - $ 2,017
	Class D	Individual - $ 1,581 Individual + Spouse - $ 2,372 Individual + 1 or More Children - $ 1,581 Individual + Spouse + 1 or More Children - $ 2,751

COBRA Continuation Coverage – Monthly Contributions

Active COBRA	Individual - $2,301 Individual + Spouse - $4,715 Individual + 1 or More Children - $3,739 Individual + Spouse + 1 or More Children - $6,745
Retired Prior to August 31, 1992 and Surviving Spouses COBRA	Individual - $2,140 Individual + 1 - $4,179 Individual + 2 or More - $6,001
Retired on or after September 1, 1992 and Surviving Spouses COBRA	Individual - $2,070 Individual + Spouse - $4,241 Individual + 1 or More Children - $3,363 Individual + Spouse + 1 or More Children - $6,066

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. 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

AT&T INC.

CASH DEFERRAL PLAN

Adopted November 19, 2004
As amended through July 29, 2021

Article 1 − Statement of Purpose

The purpose of the Cash Deferral Plan ("Plan") is to provide savings opportunities to a select group of management employees of AT&T Inc. ("AT&T") and its Subsidiaries.

Article 2 − Definitions

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

Annual Bonus. The award designated the "Annual Bonus" by AT&T (including but not limited to an award that may be paid in more frequent installments than annually), together with any individual discretionary award made in connection therewith, or comparable awards, if any, determined by AT&T to be used in lieu of these awards.

Base Compensation. The following types of cash-based compensation paid by an Employer (but not including payments made by a non-Employer, such as state disability payments), before reduction due to any contribution pursuant to this Plan or reduction pursuant to any deferral plan of an Employer, including but not limited to a plan that includes a qualified cash or deferral arrangement under Section 401(k) of the Code:

(a) base salary;

(b) lump sum payments in lieu of a base salary increase; and

(c) Annual Bonus.

Payments by an Employer under a disability plan made in lieu of any compensation described above, shall be deemed to be a part of the respective form of compensation it replaces for purposes of this definition. Base Compensation does not include zone allowances or any other geographical differential and shall not include payments made in lieu of unused vacation or other paid days off, and such payments shall not be contributed to this Plan.

Determinations by AT&T (the Committee with respect to Officer Level Employees) of the items that make up Base Compensation shall be final. The Committee may, from time to time, add or subtract types of compensation to or from the definition of "Base Compensation" provided, however, any such addition or subtraction shall be effective only with respect to the next period in which a Participant may make an election to establish a Cash Deferral Account. Base Compensation that was payable in a prior Plan Year but paid in a later Plan Year shall not be used to determine Employee Contributions in the later Plan Year.

Business Day. Any day during regular business hours that AT&T is open for business.

Cash Deferral Account or Account. The Account or Accounts established annually by an election by a Participant to make Employee Contributions to the Plan with each account relating to a Plan Year. For each Plan Year after 2008, there shall be a separate Cash Deferral Account for Base Compensation (excluding Annual Bonus) and a separate Cash Deferral Account for the Short Term Incentive Award and/or Annual Bonus. Earnings on each of Employee Contributions shall accrue to the respective Cash Deferral Accounts where they are earned.

Change in Control. With respect to AT&T's direct and indirect ownership of an Employer, a "Change in the effective control of a Corporation," as defined in Treasury Regulation Section 1.409A−3(i)(5)(vi)(A)(1), regardless of whether the Employer is a corporation or non-corporate entity as permitted by the regulation, and using "50 percent" in lieu of "30 percent" in such regulation. A Change in Control will not apply to AT&T itself.

Chief Executive Officer. The Chief Executive Officer of AT&T Inc.

Code. References to the Code shall be to provisions of the Internal Revenue Code of 1986, as amended, including regulations promulgated thereunder and successor provisions. Similarly, references to regulations shall include amendments and successor provisions.

Committee. The Human Resources Committee of the Board of Directors of AT&T Inc.

Disability. Absence of an Employee from work with an Employer under the relevant Employer's disability plan.

Eligible Employee. An Employee who:

(a) is a full or part time, salaried Employee of AT&T or an Employer in which AT&T has a direct or indirect 100% ownership interest and who is on active duty or Leave of Absence (but only while such Employee is deemed by the Employer to be an Employee of such Employer);

(b) is, as determined by AT&T, a member of Employer's "select group of management or highly compensated employees" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and regulations thereunder ("ERISA"), which is deemed to include each Officer Level Employee; and

(c) has an employment status which has been approved by AT&T to be eligible to participate in this Plan or is an Officer Level Employee.

Notwithstanding the foregoing, AT&T (the Committee with respect to Officer Level Employees) may, from time to time, exclude any Employee or group of Employees from being deemed an "Eligible Employee" under this Plan.

In the event a court or other governmental authority determines that an individual was improperly excluded from the class of persons who would be permitted to make Employee Contributions during a particular time for any reason, that individual shall not be permitted to

make such contributions for purposes of the Plan for the period of time prior to such determination.

Employee. Any person employed by an Employer and paid on an Employer's payroll system, excluding persons hired for a fixed maximum term and excluding persons who are neither citizens nor permanent residents of the United States, all as determined by AT&T. For purposes of this Plan, a person on Leave of Absence who otherwise would be an Employee shall be deemed to be an Employee.

Employee Contributions. Amounts credited to a Cash Deferral Account pursuant to Section 4.1 (Election to Make Contributions) of the Plan.

Employer. AT&T Inc. or any of its Subsidiaries.

Incentive Award. A cash award paid by an Employer (and not by a non-Employer, such as state disability payments) under the Short Term Incentive Plan or any successor plan, the 2006 Incentive Plan or any successor plan, or any other award that the Committee specifically permits to be contributed to a Cash Deferral Account under this Plan (regardless of the purpose of the award).

Leave of Absence. Where a person is absent from employment with an Employer on a leave of absence, military leave, sick leave, or Disability, where the leave is given in order to prevent a break in the continuity of term of employment, and permission for such leave is granted (and not revoked) in conformity with the rules of the Employer that employs the individual, as adopted from time to time, and the Employee is reasonably expected to return to service. Except as set forth below, the leave shall not exceed six (6) months for purposes of this Plan, and the Employee shall Terminate Employment upon termination of such leave if the Employee does not return to work prior to or upon expiration of such six (6) month period, unless the individual retains a right to reemployment under law or by contract. A twenty-nine (29) month limitation shall apply in lieu of such six (6) month limitation if the leave is due to the Employee being "disabled" (within the meaning of Treasury Regulation §1.409A−3(i)(4)). A Leave of Absence shall not commence or shall be deemed to cease under the Plan where the Employee has incurred a Termination of Employment.

Officer Level Employee. Any executive officer of AT&T, as that term is used under the Securities Exchange Act of 1934, as amended, and any Employee that is an "officer level" Employee for compensation purposes as shown on the records of AT&T.

Participant. An Employee or former Employee who participates in this Plan.

Plan Interest Rate. An annual rate of interest equal to Moody's Long-Term Corporate Bond Yield Average for the September preceding the calendar year during which the interest rate will apply. The Committee may choose another method of calculating the Plan Interest Rate, but such other method may only apply to Cash Deferral Units that Participants have not yet elected to establish.

Plan Year. Each of the following shall be a Plan year: the period from January 1, 2005 through January 15, 2006; the period January 16, 2006 through December 31, 2006; and, for all later Plan Years, it is defined as the period from January 1 through December 31.

Retirement or Retire. Termination of Employment on or after the date the Participant has attained one of the following combinations of age and Net Credited Service:

Net Credited Service	Age
10 years or more	65 or older
20 years or more	55 or older
25 years or more	50 or older
30 years or more	Any age

For purposes of this Plan only, Net Credited Service shall be calculated in the same manner as "Pension Eligibility Service" under the AT&T Pension Benefit Plan – Nonbargained Program ("Pension Plan"), as the same existed on October 1, 2008, except that service with an Employer shall be counted as though the Employer were a "Participating Company" under the Pension Plan and the Employee was a participant in the Pension Plan.

Senior Manager. Any Employee who is a "senior manager" for compensation purposes as shown on the records of AT&T.

Short Term Incentive Award. A cash award paid by an Employer (and not by a non-Employer, such as state disability payments) under the Short Term Incentive Plan or any successor plan, together with any individual discretionary award made in connection therewith; an award under a similar plan intended by the Committee to be in lieu of an award under such Short Term Incentive Plan, including, but not limited to, Performance Units granted under the 2006 Incentive Plan or any successor plan. It shall also include any other award that the Committee designates as a Short Term Incentive Award specifically for purposes of this Plan (regardless of the purpose of the award) provided the deferral election is made in accordance with Section 409A.

Specified Employee. Any Participant who is a "Key Employee" (as defined in Code Section 416(i) without regard to paragraph (5) thereof), as determined by AT&T in accordance with its uniform policy with respect to all arrangements subject to Code Section 409A, based upon the 12-month period ending on each December 31st (such 12-month period is referred to below as the "identification period"). All Participants who are determined to be Key Employees under Code Section 416(i) (without regard to paragraph (5) thereof) during the identification period shall be treated as Key Employees for purposes of the Plan during the 12-month period that begins on the first day of the 4th month following the close of such identification period.

Subsidiary. Any corporation, partnership, venture or other entity or business with which AT&T would be considered a single employer under Sections 414(b) and (c) of the Code, using 50% as the ownership threshold as provided under Section 409A of the Code.

Termination of Employment. References herein to "Termination of Employment," "Terminate Employment" or a similar reference, shall mean the event where the Employee has a "separation from service," as defined under Section 409A, with all Employers. For purposes of this Plan, a Termination of Employment with respect to an Employer also shall be deemed to occur when such Employer incurs a Change in Control.

Article 3 − Administration of the Plan

3.1 The Committee.

Except as delegated by this Plan or by the Committee, the Committee shall be the administrator of the Plan and will administer the Plan, interpret, construe and apply its provisions and all questions of administration, interpretation and application of the Plan, including, without limitation, questions and determinations of eligibility entitlement to benefits and payment of benefits, all in its sole and absolute discretion. The Committee may further establish, adopt or revise such rules and regulations and such additional terms and conditions regarding participation in the Plan as it may deem necessary or advisable for the administration of the Plan. References in this Plan to determinations or other actions by AT&T, herein, shall mean actions authorized by the Committee, the Chief Executive Officer, the Senior Executive Vice President of AT&T in charge of Human Resources, or their respective successors or duly authorized delegates, in each case in the discretion of such person. All decisions by the Committee, its delegate or AT&T, as applicable, shall be final and binding.

3.2 Claims and Appeals.

(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") 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 Committee review the determination of the AT&T Executive Compensation Administration Department. Such request must be addressed to the Committee at the address for giving notice under this Plan. 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 Committee 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 of the AT&T Executive Compensation Administration Department's decision by the Committee 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 Committee's receipt of a request for review, the Administrator will review the decision of the AT&T Executive Compensation Administration Department. If the Committee determines that special circumstances require an extension of time beyond the initial sixty (60)-day review period, the Committee 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 Committee expects to render its decision on the review of the claim. If this notice is provided, the Committee 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 Committee 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 Committee will render a decision, written in a manner designed to be understood by the Claimant. If the Committee 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 Committee 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.

The Committee shall serve as the final review committee under the Plan and shall have sole and complete discretionary authority to administer, interpret, construe and apply the Plan provisions, and determine all questions of administration, interpretation, construction, and application of the Plan, including questions and determinations of eligibility, entitlement to benefits and the type, form and amount of any payment of benefits, all in its sole and absolute discretion. The Committee shall further have the authority to determine all relevant facts and related issues, and all documents, records and other information relevant to a claim conclusively for all parties, and in accordance with the terms of the documents or instruments governing the Plan. Decisions by the Committee shall be conclusive and binding on all parties and not subject to further review.

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.

Article 4 − Contributions

4.1 Election to Make Contributions.

(a) The Committee shall establish dates and other conditions for participation in the Plan and making contributions as it deems appropriate. Except as otherwise provided by the Committee, each year an Employee who is an Eligible Employee as of September 30 may thereafter make an election on or prior to the last Business Day of the immediately following November (such election shall be cancelled if the Employee is not an Eligible Employee on the last day such an election may be made) to contribute on a pre-tax basis, through payroll deductions, any combination of the following:

(1) From 1% to 50% (in whole percentage increments) of the Participant's monthly Base Compensation, other than Annual Bonus, during the calendar year (the Plan Year for such contributions) following the calendar year of such election. Employees who are below the level of Senior Manager, as shown on the records of AT&T at the time of the election, may contribute no more than 25% or such other amount as determined by AT&T.

(2) Up to 95% (in whole percentage increments) of a Short Term Incentive Award, or up to 50% (in whole percentage increments) of Annual Bonus (25% for Employees who are below

the level of Senior Manager), in each case such contributions shall be made during the second calendar year (which is the Plan Year for such contributions) following the year of such election, except that in 2008 a separate election may be made with respect to contributions to be made in 2009. An Employee may make such an election with respect to the type of Award (Short Term Incentive Award or Annual Bonus) that the Employee is under as of the time the Employee's eligibility to make such election is determined. If because of a promotion or otherwise, the Employee receives a different type of Award instead of or in partial or full replacement for the type of Award subject to the Employee's election for the relevant Plan Year, the election will apply to the other Award as well, including but not limited to any individual discretionary award related thereto.

(b) The Committee may permit an Eligible Employee to make an election to make other contributions under this Plan with compensation other than Base Compensation or Short Term Incentive Awards on such terms and conditions as such Committee may permit from time to time provided that any such election is made in accordance with Section 409A of the Code.

(c) Notwithstanding anything to the contrary in this Plan, no election shall be effective to the extent it would permit an Employee Contribution or distribution to be made that is not in compliance with Section 409A of the Code. To the extent such election related to Employee Contributions that complied with such statute and regulations, thereunder, that portion of the election shall remain valid, except as otherwise provided under this Plan.

(d) To the extent permitted by Section 409A of the Code, AT&T may refuse or terminate, in whole or in part, any election to make contributions to the Plan at any time; provided, however, only the Committee may take such action with respect to persons who are Officer Level Employees.

(e) To the extent a Participant makes contributions to the Plan where the payment of which would be deductible by AT&T under Section 162(m) of the Code without regard to the size of the distribution, such contributions and earnings thereon shall be distributed first.

(f) With respect to a Plan Year, an Employee may elect to (1) make Employee Contributions of Base Compensation other than Annual Bonus to this Plan but only if the Employee elects to contribute at least 6% of Base Compensation other than Annual Bonus for the same Plan Year to the Stock Purchase and Deferral Plan and/or (2) make Employee Contributions of Annual Bonus to this Plan but only if the Employee elects to contribute at least 6% of Annual Bonus for the same Plan Year to the Stock Purchase and Deferral Plan.

4.2 Contributions to a Cash Deferral Account.

(a) Employee Contributions shall be made pursuant to a proper election, only during the Participant's lifetime; provided, however, with respect to Employee Contribution elections made prior to 2007, the Employee must remain an Eligible Employee while making any such contributions. In the event of a Change in Control of an Employer, subsequent compensation from the Employer may not be contributed to the Plan. The Employer may continue the then

current elections of the participants under a subsequent plan in order to comply with applicable tax laws.

(b) A Participant's contributions shall be credited to the Participant's Cash Deferral Account on the day the compensation – from which the contribution is to be deducted – is to be paid ("paid," as used in this Plan, includes amounts contributed to the Plan that would have been paid were it not for an election under this Plan), as determined by the relevant Employer. Earnings on each Cash Deferral Account shall be recorded on Participant's statements quarterly. The Committee may modify or change this paragraph (b) from time to time.

4.3 Earnings on Cash Deferral Accounts.

During a calendar year, the Participant's Cash Deferral Account shall accrue interest on amounts held by such Account at the Plan Interest Rate for such year, compounded quarterly on the last day of each quarter. Interest will accrue on unpaid amounts in the Cash Deferral Account from the date credited to such Account.

Article 5 − Distributions

5.1 Distributions of Cash Deferral Accounts.

(a) Initial Election with Respect to a Cash Deferral Account. At the time the Participant makes an election to make Employee Contributions with respect to a Cash Deferral Account, the Participant shall also elect the calendar year of the distribution of the Cash Deferral Account and the number of installments. The Participant may elect either of the following:

(i) Specified Date Distribution. That the distribution of the Cash Deferral Account commence in the calendar year specified by the Participant, but no later than the 10th calendar year after the Plan Year the Cash Deferral Account commenced, in up to Ten (10) installments. However, for purposes of Initial Elections with respect to Plan Years prior to 2009 only, in the event the Participant Terminates Employment prior to the calendar year of the distribution, the Cash Deferral Account must commence distribution the calendar year following the calendar year of the Termination of Employment, with the same number of installments, unless the Employee has made an irrevocable election under (b), below. For example, if the Participant elected a 2010 distribution with five (5) installments, but Terminated Employment in 2007, the Cash Deferral Account would commence distribution in 2008.

(ii) Retirement Distribution. That the distribution of the Cash Deferral Account commence the calendar year following the calendar year of Retirement in up to (10) installments. If the Participant Terminates Employment while not Retirement eligible, the distribution shall commence the calendar year following the calendar year of Termination of Employment, but shall be limited to five (5) installments. This distribution alternative will not be available for Initial Elections made after 2007.

If no timely distribution election is made by the Participant, then the Participant will be deemed to have made an election to have the Cash Deferral Account distributed in a single installment in the first calendar year after the calendar year Employee Contributions were first made.

(b) Election to Delay a Specified Date Distribution.

(i) If an Employee elected a Specified Date Distribution for a Cash Deferral Account, the Employee may elect to delay the Specified Date Distribution commencement date and, as part of such delay election elect a new number of installments; provided, however, Termination of Employment will not accelerate the distribution, unlike the initial deferral election. Unless otherwise provided by AT&T, the election of a new distribution commencement date for a Cash Deferral Account must be made on or after October 16, and on or before the last Business Day of the next following December, of the calendar year that is the second calendar year preceding the calendar year in which the distribution would otherwise commence.

(ii) To make this election, the Participant must be an Employee that is, as determined by AT&T, a member of Employer's "select group of management or highly compensated employees" within the meaning of ERISA on the September 30 immediately preceding such election and on the day of such election. The new distribution election must delay commencement of the distribution by five (5) years.

(iii) An election to delay the Specified Date Distribution commencement date of a Cash Deferral Account may not be made in the same calendar year the election to establish the Cash Deferral Account is made. Notwithstanding anything to the contrary in this Plan:

a. an election to delay the Specified Date Distribution commencement date must be made at least 12 months prior to the date of the first scheduled payment under the prior distribution election, and
b. the election shall not take effect until at least 12 months after the date on which the election is made.

(c) A Participant's Cash Deferral Account shall be distributed to the Participant on March 10 (or as soon thereafter as administratively practicable, as determined by AT&T) of the calendar year elected by the Participant for the Account. In the event the distribution is to be made to a "Specified Employee" as a result of the Participant's Termination of Employment (other than as a result of a Change in Control), the distribution shall not occur until the later of such March 10 or six (6) months after the Termination of Employment, except it shall be distributed upon the Participant's earlier death in accordance with this Plan. The distributions shall continue annually on each successive March 10 (or such other date as determined by AT&T) until the number of installments elected by the Participant is reached. In each installment, AT&T shall distribute to the Participant that portion of the Participant's Cash Deferral Account that is equal to the total dollar amount of the Participant's Account divided by the number of remaining installments.

(d) The Committee may establish other distribution alternatives from time to time, but such alternatives may be offered no earlier than the next period in which a Participant may make an election to establish a Cash Deferral Account.

5.2 Death of the Participant.

In the event of the death of a Participant, notwithstanding anything to the contrary in this Plan, all undistributed Cash Deferral Accounts shall be distributed to the Participant's beneficiary in accordance with the AT&T Rules for Employee Beneficiary Designations, as the same may be amended from time to time, within the later of 90 days following such determination or the end of the calendar year in which determination was made.

5.3 Unforeseeable Emergency Distribution.

If a Participant experiences an "Unforeseeable Emergency," the Participant may submit a written petition to AT&T (the Committee in the case of Officer Level Employees), to receive a partial or full distribution of his Cash Deferral Account(s). In the event that AT&T (the Committee in the case of Officer Level Employees), upon review of the written petition of the Participant, determines in its sole discretion that the Participant has suffered an "Unforeseeable Emergency," AT&T shall make a distribution to the Participant from the Participant's Cash Deferral Accounts, on a pro-rata basis, within the later of 90 days following such determination or the end of the calendar year in which determination was made, subject to the following:

(a) "Unforeseeable Emergency" shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's legal spouse, the Participant's beneficiary, or the Participant's dependent (as defined in Code Section 152, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Committee. Whether a Participant is faced with an Unforeseeable Emergency permitting a distribution is to be determined based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency shall not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan.

(b) The amount of a distribution to be made because of an Unforeseeable Emergency shall not exceed the amount reasonably necessary, as determined by AT&T (the Committee in the case of Officer Level Employees) in its sole discretion, to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution). Determinations of the amount reasonably necessary to satisfy the emergency need shall take into account any additional compensation that is available if the plan provides for cancellation of a deferral election upon a payment due to an Unforeseeable Emergency. The determination of amounts reasonably necessary to satisfy the Unforeseeable Emergency need is not required to, but may, take into account any additional compensation that, due to the Unforeseeable Emergency, is available under another nonqualified deferred compensation plan but has not actually been paid, or that is available due to the Unforeseeable Emergency under another plan that would provide for

deferred compensation except due to the application of the effective date provisions under Treasury Regulation § 1.409A−6.

(c) Upon such distribution on account of an Unforeseeable Emergency under this Plan, any election to make Employee Contributions by such Participant shall be immediately cancelled, and the Participant shall not be permitted to make a new election with respect to Employee Contributions that would be contributed during the then current and immediately following calendar year.

5.4 Ineligible Participant.

Notwithstanding any other provisions of this Plan to the contrary, if AT&T receives an opinion from counsel selected by AT&T, or a final determination is made by a Federal, state or local government or agency, acting within its scope of authority, to the effect that an individual's continued participation in the Plan would violate applicable law, then such person shall not make further contributions to the Plan to the extent permitted by Section 409A of the Code.

5.5 Conflict of Interest Distribution.

AT&T may in its sole discretion accelerate a distribution(s) to the Participant, provided he or she is no longer actively employed by AT&T: (a) to the extent necessary for any Federal officer or employee in the executive branch to comply with an ethics agreement with the Federal government or (b) to the extent reasonably necessary to avoid the violation of an applicable Federal, state, local, or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the service provider to participate in activities in the normal course of his or her position in which the service provider would otherwise not be able to participate under an applicable rule). Any such distribution may only be made in accordance with Section 409A of the Code and the regulations thereunder.

Article 6 − Transition Provisions

6.1 2005 Cash Deferral Accounts.

Notwithstanding Article 4 to the contrary, if an Employee is an Eligible Employee on September 30, 2004, the Employee may make an election under Article 4 on or prior to December 15, 2004, with respect to the establishment of a Cash Deferral Account for the contribution of Base Compensation and/or Incentive Awards that would otherwise be paid during the period from January 1, 2005, through January 15, 2006, which shall be the Plan Year for such Cash Deferral Account.

6.2 2007 Amendments.

Amendments made to the Plan on November 15, 2007, shall be effective January 1, 2008, except for amendments to this Article 7, which shall be effective upon adoption. Any Participants electing prior to November 15, 2007, to make Employee Contributions in 2008 shall

have their elections canceled if they do not consent by December 14, 2007, to all prior amendments to this Plan and to the Stock Purchase and Deferral Plan. Subject to the foregoing

consent requirements, all Employee Contribution elections made prior to 2008, including but not limited to elections to contribute cash with respect to Performance Shares granted that would be distributed under the 2001 Incentive Plan or a successor plan, shall remain in force, subject to all other terms of the amended Plan.

6.3 2008 Amendments. For the 2008 Plan Year, only Salary and Short Term Incentive Awards paid after Termination of Employment may be contributed to the Plan. Article 7 − Discontinuation, Termination, Amendment.

7.1 AT&T's Right to Discontinue Offering Cash Deferral Accounts.

The Committee may at any time discontinue offerings of Cash Deferral Accounts or contributions under the Plan. Any such discontinuance shall have no effect upon existing Cash Deferral Accounts or the terms or provisions of this Plan as applicable to such Accounts.

7.2 AT&T's Right to Terminate Plan.

The Committee may terminate the Plan at any time. Upon termination of the Plan, contributions shall no longer be made under the Plan.

After termination of the Plan, Participants shall continue to earn interest on undistributed amounts and shall continue to receive all distributions under this Plan at such time as provided in and pursuant to the terms and conditions of Participant's elections and this Plan. Notwithstanding the foregoing, the termination of the Plan shall be made solely in accordance with Section 409A of the Code and in no event shall cause the accelerated distribution of any Account unless such termination is effected in accordance with Section 409A of the Code.

7.3 Amendment.

The Committee may at any time amend the Plan in whole or in part; provided, however, that no amendment, including but not limited to an amendment to this section, shall be effective, without the consent of a Participant, to alter, to the material detriment of such Participant, any of the Cash Deferral Accounts of the Participant, other than as provided elsewhere in this section. For purposes of this section, an alteration to the material detriment of a Participant shall include, but not be limited to, a material reduction in the period of time over which the Participant's Cash Deferral Account may be distributed to a Participant, any reduction in the amounts credited to the Participant's Cash Deferral Accounts, or any reduction in the Plan Interest Rate (other than as it may fluctuate in accordance with its terms) for Cash Deferral Accounts previously elected by the Participant. Any such consent may be in a writing, telecopy, or e-mail or in another electronic format. An election to make Employee Contributions shall be conclusively deemed to be the consent of the Participant to any and all amendments to the Plan prior to such election, and such consent shall be a condition to making any election with respect to Employee Contributions.

The Plan is established in order to provide deferred compensation to a select group of management and highly compensated employees with in the meaning of Sections 201(2) and

301(a)(3) of ERISA. To the extent legally required, the Code and ERISA shall govern the Plan, and if any provision hereof is in violation of an applicable requirement thereof, the Company

reserves the right to retroactively amend the Plan to comply therewith to the extent permitted under the Code and ERISA. The Company also reserves the right to make such other changes as may facilitate implementation of Section 409A of the Code. Provided, however, that in no event shall any such amendments be made in violation of the requirements of Section 409A of the Code.

Article 8 − Miscellaneous

8.1 Tax Withholding.

Upon a distribution from a Participant's Cash Deferral Account, AT&T shall withhold sufficient amounts to satisfy the minimum amount of Federal, state, and local taxes required by law to be withheld as a result of such distribution.

8.2 Loyalty Conditions for Officer Level Employees and Senior Managers.

Each Officer Level Employee or a Senior Manager who elects to make Employee Contributions under Section 4.1 of this Plan shall be subject to the agreements and conditions of this section.

(a) By making an Employee Contribution election under Section 4.1 of this Plan after September 1, 2009, a Participant acknowledges that AT&T would be unwilling to provide for such an election but for the loyalty conditions and covenants set forth in this section, and that the conditions and covenants herein are a material inducement to AT&T's willingness to sponsor the Plan and to offer Plan benefits for the Participants. Accordingly, as a condition to making an Employee Contribution election under Section 4.1 of this Plan after September 1, 2009, each such electing Participant is deemed to agree that he shall not, without obtaining the written consent of the Committee 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.

(b) Definitions. For purposes of this section and of the Plan generally:

(i) an "Employer Business" shall mean AT&T Inc. and any of its Subsidiaries, or any business in which they or any affiliate of theirs has a substantial ownership or joint venture interest;

(ii) "engaging in competition with AT&T" shall mean, while employed by AT&T or any of its Subsidiaries, or within two (2) years after 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 non-substantial 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 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 AT&T or any of its Subsidiaries, or within two (2) years after 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 any of its Subsidiaries during the one (1) year prior to the Participant's Termination of Employment, whether or not acceptance of such position would constitute a breach of such person's contractual obligations to AT&T or any of its Subsidiaries; (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 Participant's Termination of Employment (regardless of the reason for that termination) to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with AT&T or any of its Subsidiaries; 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 ("Customer"), on behalf of any Employer Business during the two (2) years prior to the Participant's Termination of Employment (regardless of the reason for that termination), 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" shall also mean, 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 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 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 Participant from a third party; (iii) was known to Participant prior to receipt from the Employer Business; or (iv) was independently developed by 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 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.

(c) Equitable Relief. The parties recognize that any Participant's breach of any of the covenants in this section will cause irreparable injury to the 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 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 (including the accrual or granting of Share Units, Matching Share Units and Options) for all Participants. Accordingly, in the event of a Participant's actual or threatened breach of the covenants in this section, the Committee, 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 Section. AT&T shall pay for any Plan expenses that the Committee incurs hereunder, and shall be entitled to recover from the Participant its reasonable attorneys' fees and costs incurred in obtaining such injunctive remedies.

(d) 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 ability to make Employee Contribution elections under Section 4.1 of this Plan after September 1, 2009, that each and all of the following conditions apply to all such electing Participants:

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

(ii) All litigation between the parties relating to this section 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.

8.3 Elections and Notices. Notwithstanding anything to the contrary contained in this Plan, all elections and notices of every kind under this Plan shall be made (1) on forms prepared

by AT&T or the General Counsel, Secretary or Assistant Secretary, or their respective delegates, or (2) in such other manner as permitted or required by AT&T or the General Counsel, Secretary

or Assistant Secretary, or their respective delegates, including through electronic means, over the Internet or otherwise. An election shall be deemed made when received by AT&T (or its designated agent, but only in cases where the designated agent has been appointed for the purpose of receiving such election), which may waive any defects in form. Unless made irrevocable by the electing person, each election with regard to making Employee Contributions or distributions of Cash Deferral Accounts shall become irrevocable at the close of business on the last day the Employee is permitted to make such election. Notwithstanding anything to the contrary in this Plan, AT&T may place additional limits on the times during which elections may be made to make contribution(s) or to delay distribution(s).

If not otherwise specified by this Plan or AT&T, any notice or filing required or permitted to be given to AT&T under the Plan shall be delivered to the principal office of AT&T, directed to the attention of the Senior Executive Vice President in charge of Human Resources for AT&T or his or her successor. Such notice shall be deemed given on the date of delivery.

Notice to the Participant shall be deemed given when mailed (or sent by telecopy) to the Participant's work or home address as shown on the records of AT&T or, at the option of AT&T, to the Participant's e-mail address as shown on the records of AT&T. It is the Participant's responsibility to ensure that the Participant's addresses are kept up to date on the records of AT&T. In the case of notices affecting multiple Participants, the notices may be given by general distribution at the Participants' work locations.

By participating in the Plan, each Participant agrees that AT&T may provide any documents required or permitted under the Federal or state securities laws, including but not limited to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, by e-mail, by e-mail attachment, or by notice by e-mail of electronic delivery through AT&T's Internet Web site or by other electronic means.

8.4 Unsecured General Creditor.

Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any property or assets of any Employer. No assets of any Employer shall be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of any Employer under this Plan. Any and all of each Employer's assets shall be, and remain, the general, unpledged, unrestricted assets of such Employer. The only obligation of an Employer under the Plan shall be merely that of an unfunded and unsecured promise of AT&T to make distributions under and in accordance with the terms of the Plan.

8.5 Non-Assignability.

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt, any Cash Deferral Account under the Plan, if any, or any part thereof,

which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of a distributable Cash Deferral Account shall, prior to actual distribution,

be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

8.6 Employment Not Guaranteed.

Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any employee any right to be retained in the employ of an Employer or to serve as a director.

8.7 Errors.

At any time AT&T or an Employer may correct any error made under the Plan without prejudice to AT&T or any Employer. Neither AT&T nor any Employer shall be liable for any damages resulting from failure to timely allow any contribution to be made to the Plan or for any damages resulting from the correction of, or a delay in correcting, any error made under the Plan. In no event shall AT&T or any Employer be liable for consequential or incidental damages arising out of a failure to comply with the terms of the Plan.

8.8 Captions.

The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control nor affect the meaning or construction of any of its provisions.

8.9 Governing Law.

To the extent not preempted by Federal law, the Plan, and all benefits and agreements hereunder, and any and all disputes in connection therewith, shall be governed by and construed in accordance with the substantive laws of the State of Texas, without regard to conflict or choice of law principles which might otherwise refer the construction, interpretation or enforceability of this Plan to the substantive law of another jurisdiction.

Because benefits under the Plan are granted in Texas, records relating to the Plan and benefits thereunder are located in Texas, and the Plan and benefits thereunder are administered in Texas, AT&T and the Participant under this Plan, for themselves and their successors and assigns, irrevocably submit to the exclusive and sole jurisdiction and venue of the state or Federal courts of Texas with respect to any and all disputes arising out of or relating to this Plan, the subject matter of this Plan or any benefits under this Plan, including but not limited to any disputes arising out of or relating to the interpretation and enforceability of any benefits or the terms and conditions of this Plan. To achieve certainty regarding the appropriate forum in which to prosecute and defend actions arising out of or relating to this Plan, and to ensure consistency in application and interpretation of the Governing Law to the Plan, the parties agree that (a) sole and exclusive appropriate venue for any such action shall be an appropriate Federal or state court in Dallas County, Texas, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Texas court, and no other, (c) such Texas court shall

have sole and exclusive jurisdiction over the person of such parties and over the subject matter of any dispute relating hereto and (d) that the parties waive any and all objections and defenses to

bringing any such action before such Texas court, including but not limited to those relating to lack of personal jurisdiction, improper venue or forum non conveniens.

8.10 Plan to Comply with Section 409A.

In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan. Notwithstanding any provision to the contrary in this Plan, each provision in this Plan shall be interpreted to permit the deferral of compensation in accordance with Section 409A of the Code and any provision that would conflict with such requirements shall not be valid or enforceable.

8.11 Successors and Assigns.

This Plan shall be binding upon AT&T and its successors and assigns.

Attachment A

Eligibility Criteria
Cash Deferral Plan (the "Plan")

Effective July 29, 2021

The following criteria shall apply with respect to participation in the Plan, subject to all other requirements of the Plan:

Management Employees who are "third level or above managers" (as indicated by a job level indicator of "3" or higher) or the equivalent, are eligible to participate in the Plan and shall be deemed to be included as members of "Employer's 'select group of management or highly compensated employees'" for purposes of the Employee Retirement Income Security Act.

To be an Eligible Employee, the Employer of the Employee must be a domestic Subsidiary (a Subsidiary that is incorporated or organized under the laws of a state of the United States). Employees who are not citizens of the United States but who otherwise meet eligibility criteria must be stationed in the United States to be an Eligible Employee.

An Employee shall not be considered an Eligible Employee for purposes of making a contribution election under the Plan while the Employee is:

An Employee of or scheduled to become an Employee of, one of the following companies or its respective directly or indirectly held subsidiaries:

i. AT&T Technical Services, Inc.
ii. DIRECTV Entertainment Holdings, LLC
iii. Warner Media, LLC

Each of the above companies are an "Excluded Company". In addition, an Employee's contribution election shall be canceled if on the last day of the calendar year for making such election, the Employee was an Employee of or scheduled to become an Employee of an Excluded Company.

Notwithstanding the foregoing, an Employee of an Excluded Company may make a contribution election and such election shall not be cancelled if such Employee is scheduled to become an Employee of a Subsidiary other than an Excluded Company as of January 1 of the Plan Year for which the election is made. Provided, however, if such Employee has elected to participate in the Warner Media, LLC. Supplemental Savings Plan with respect to an element of compensation, such as Salary or Annual Bonus with respect to a Plan Year, such Employee may not make a similar election under the Plan with respect to the same form of compensation for the same Plan Year.

Residents of Puerto Rico or other territories of the United States ("territory"; shall not include any state of the United States) are also ineligible to participate in the Plan.

Capitalized terms used herein shall have the meanings set forth in the Plan, as applicable, unless the context requires otherwise.

Eligibility under the foregoing criteria shall be determined by the AT&T Management Compensation Group or the AT&T Executive Compensation Group, as applicable.

AT&T INC.

STOCK PURCHASE AND DEFERRAL PLAN

Adopted November 19, 2004
As amended through July 29, 2021

Article 1 - Statement of Purpose

The purpose of the Stock Purchase and Deferral Plan ("Plan") is to increase stock ownership by, and to provide savings opportunities to, a select group of management employees of AT&T Inc. ("AT&T") and its Subsidiaries.

Article 2 - Definitions

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

Annual Bonus. The award designated the "Annual Bonus" by AT&T (including but not limited to an award that may be paid in more frequent installments than annually), together with any individual discretionary award made in connection therewith, or comparable awards, if any, determined by AT&T to be used in lieu of these awards.

Base Compensation. The following types of cash-based compensation paid by an Employer (but not including payments made by a non-Employer, such as state disability payments), before reduction due to any contribution pursuant to this Plan or reduction pursuant to any deferral plan of an Employer, including but not limited to a plan that includes a qualified cash or deferral arrangement under Section 401(k) of the Code:

(a) base salary;

(b) lump sum payments in lieu of a base salary increase; and

(c) Annual Bonus.

Payments by an Employer under a disability plan made in lieu of any compensation described above shall be deemed to be a part of the respective form of compensation it replaces for purposes of this definition. Base Compensation does not include zone allowances or any other geographical differential and shall not include payments made in lieu of unused vacation or other paid days off, and such payments shall not be contributed to this Plan.

Determinations by AT&T (the Committee with respect to Officer Level Employees) of the items that make up Base Compensation shall be final. The Committee may, from time to time, add or subtract types of compensation to or from the definition of "Base Compensation" provided, however, any such addition or subtraction shall be effective only with respect to the next period in which a Participant may make an election to establish a Share Deferral Account.

Base Compensation that was payable in a prior Plan Year but paid in a later Plan Year shall not be used to determine Employee Contributions or Matching Contributions in such later Plan Year.

Business Day. Any day during regular business hours that AT&T is open for business.

Change in Control. With respect to AT&T's direct and indirect ownership of an Employer, a "Change in the effective control of a Corporation," as defined in Treasury Regulation Section 1.409A-3(i)(5)(vi)(A)(1), regardless of whether the Employer is a corporation or non corporate entity as permitted by the regulation, and using "50 percent" in lieu of "30 percent" in such regulation. A Change in Control will not apply to AT&T itself.

Chief Executive Officer. The Chief Executive Officer of AT&T Inc.

Code. References to the Code shall be to provisions of the Internal Revenue Code of 1986, as amended, including regulations promulgated thereunder and successor provisions. Similarly, references to regulations shall include amendments and successor provisions.

Committee. The Human Resources Committee of the Board of Directors of AT&T Inc.

Disability. Absence of an Employee from work with an Employer under the relevant Employer's disability plan.

Eligible Employee. An Employee who:

(a) is a full or part time, salaried Employee of AT&T or an Employer in which AT&T has a direct or indirect 100% ownership interest and who is on active duty or Leave of Absence (but only while such Employee is deemed by the Employer to be an Employee of such Employer);

(b) is, as determined by AT&T, a member of Employer's "select group of management or highly compensated employees" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and regulations thereunder ("ERISA"), which is deemed to include each Officer Level Employee; and

(c) has an employment status which has been approved by AT&T to be eligible to participate in this Plan or is an Officer Level Employee.

Notwithstanding the foregoing, AT&T (the Committee with respect to Officer Level Employees) may, from time to time, exclude any Employee or group of Employees from being deemed an "Eligible Employee" under this Plan.

In the event a court or other governmental authority determines that an individual was improperly excluded from the class of persons who would be permitted to make Employee Contributions during a particular time for any reason, that individual shall not be permitted to make such contributions for purposes of the Plan for the period of time prior to such determination.

Employee. Any person employed by an Employer and paid on an Employer's payroll system, excluding persons hired for a fixed maximum term and excluding persons who are neither citizens nor permanent residents of the United States, all as determined by AT&T. For purposes of this Plan, a person on Leave of Absence who otherwise would be an Employee shall be deemed to be an Employee.

Employee Contributions. Amounts credited to a Share Deferral Account pursuant to Section 4.1 (Election to Make Contributions) of the Plan.

Employer. AT&T Inc. or any of its Subsidiaries.

Exercise Price. The price per share of Stock purchasable under an Option.

Fair Market Value or FMV. In valuing Stock or any other item subject to valuation under this Plan, the Committee may use such index or measurement as the Committee may reasonably determine from time to time, and such index or measurement shall be the FMV of such Stock or other item, provided that for purposes of determining the Exercise Price of Stock Options, the Committee shall use a value consistent with the requirements of Section 409A. In the absence of such action by the Committee, FMV means, with respect to Stock, the closing price on the New York Stock Exchange ("NYSE") of the Stock on the relevant date, or if on such date the Stock is not traded on the NYSE, then the closing price on the immediately preceding date such Stock is so traded.

Leave of Absence. Where a person is absent from employment with an Employer on a leave of absence, military leave, sick leave, or Disability where the leave is given in order to prevent a break in the continuity of term of employment, and permission for such leave is granted (and not revoked) in conformity with the rules of the Employer that employs the individual, as adopted from time to time, and the Employee is reasonably expected to return to service. Except as set forth below, the leave shall not exceed six (6) months for purposes of this Plan, and the Employee shall Terminate Employment upon termination of such leave if the Employee does not return to work prior to or upon expiration of such six (6) month period, unless the individual retains a right to reemployment under law or by contract. A twenty-nine (29) month limitation shall apply in lieu of such six (6) month limitation if the leave is due to the Employee being "disabled" (within the meaning of Treasury Regulation §1.409A-3(i)(4)). A Leave of Absence shall not commence or shall be deemed to cease under the Plan where the Employee has incurred a Termination of Employment.

Officer Level Employee. Any executive officer of AT&T, as that term is used under the Securities Exchange Act of 1934, as amended, and any Employee that is an "officer level" Employee for compensation purposes as shown on the records of AT&T.

Options or Stock Options. Options to purchase Stock issued pursuant to this Plan.

Participant. An Employee or former Employee who participates in this Plan.

Plan Year. Each of the following shall be a Plan Year: the period January 1, 2005, through January 15, 2006; the period January 16, 2006, through December 31, 2006; and, for all later Plan Years, it is defined as the period from January 1 through December 31.

Retirement or Retire. Termination of Employment on or after the earlier of the following dates, unless otherwise provided by the Committee: (a) for Officer Level Employees, the date the Participant is at least age 55 and has five (5) years of Net Credited Service; or (b) the date the Participant has attained one of the following combinations of age and Net Credited Service:

Net Credited Service	Age

10 years or more	65 or older
20 years or more	55 or older
25 years or more	50 or older
30 years or more	Any age

For purposes of this Plan only, Net Credited Service shall be calculated in the same manner as "Pension Eligibility Service" under the AT&T Pension Benefit Plan – Nonbargained Program ("Pension Plan"), as amended from time to time, except that service with an Employer shall be counted as though the Employer were a "Participating Company" under the Pension Plan and the Employee was a participant in the Pension Plan.

Senior Manager. Any Employee who is a "senior manager" for compensation purposes as shown on the records of AT&T.

Shares or Share Units. An accounting entry representing the right to receive an equivalent number of shares of Stock.

Share Deferral Account or **Account.** The Account or Accounts established annually by an election by a Participant to make Employee Contributions to the Plan, with each Account relating to a Plan Year. For each Plan Year after 2008, there shall be (1) a separate Share Deferral Account for Share Units purchased with Employee Contributions of Base Compensation (excluding Annual Bonus) and related Matching Share Units and (2) a separate Share Deferral Account for Share Units purchased with Employee Contributions of Short Term Incentive Award and/or Annual Bonus and any related Matching Share Units. Earnings on Share Units and Matching Share Units shall accrue to the respective Share Deferral Accounts where they are earned.

Short Term Incentive Award. A cash award paid by an Employer (and not by a non-Employer, such as state disability payments) under the Short Term Incentive Plan or any successor plan, together with any individual discretionary award made in connection therewith; an award under a similar plan intended by the Committee to be in lieu of an award under such Short Term Incentive Plan, including, but not limited to, Performance Units granted under the 2006 Incentive Plan or any successor plan. It shall also include any other award that the Committee designates as a Short Term Incentive Award specifically for purposes of this Plan (regardless of the purpose of the award) provided the deferral election is made in accordance with Section 409A.

Specified Employee. Any Participant who is a "Key Employee" (as defined in Code Section 416(i) without regard to paragraph (5) thereof), as determined by AT&T in accordance with its uniform policy with respect to all arrangements subject to Code Section 409A, based upon the 12-month period ending on each December 31st (such 12-month period is referred to below as the "identification period"). All Participants who are determined to be Key Employees under Code Section 416(i) (without regard to paragraph (5) thereof) during the identification period shall be treated as Key Employees for purposes of the Plan during the 12-month period that begins on the first day of the 4th month following the close of such identification period.

Stock. The common stock of AT&T Inc.

Subsidiary. Any corporation, partnership, venture or other entity or business with which AT&T would be considered a single employer under Sections 414(b) and (c) of the Code, using 50% as the ownership threshold as provided under Section 409A of the Code.

Termination of Employment. References herein to “Termination of Employment," “Terminate Employment” or a similar reference, shall mean the event where the Employee has a “separation from service,” as defined under Section 409A, with all Employers. For purposes of

this Plan, a Termination of Employment with respect to an Employer shall be deemed to also occur when such Employer incurs a Change in Control.

Article 3 - Administration of the Plan

3.1 The Committee.

Except as delegated by this Plan or by the Committee, the Committee shall be the administrator of the Plan and will administer the Plan, interpret, construe and apply its provisions and determine all questions of administration, interpretation and application of the Plan, including, without limitation, questions and determinations of eligibility, entitlement to benefits and payment of benefits, all in its sole and absolute discretion. The Committee may further establish, adopt or revise such rules and regulations and such additional terms and conditions regarding participation in the Plan as it may deem necessary or advisable for the administration of the Plan. References in this Plan to determinations or other actions by AT&T, herein, shall mean actions authorized by the Committee, the Chief Executive Officer, the Senior Executive Vice President of AT&T in charge of Human Resources, or their respective successors or duly authorized delegates, in each case in the discretion of such person. All decisions by the Committee, its delegate or AT&T, as applicable, shall be final and binding.

3.2 Authorized Shares of Stock.

(a) Except as provided below, the number of shares of Stock which may be distributed pursuant to the Plan, exclusive of Article 8 - Options, is 76,000,000. The number of shares of Stock which may be issued pursuant to the exercise of Stock Options is 34,000,000 (together with an equal number of Stock Options). In determining the number of authorized shares remaining available for issuance, shares withheld for taxes in a distribution shall not be considered issued and shall not reduce the number of authorized shares. When an Option is exercised, the authorized shares of Stock that may be issued pursuant to an Option exercise shall be reduced by the number of Options so exercised. To the extent an Option issued under this Plan is canceled, terminates, expires, or lapses for any reason, such Option shall again be available for issuance under the Plan. Conversions of Stock awards into Share Units and their eventual distribution (excluding the effects of any dividends on such Share Units) shall count only against the limits of the plans from which they originated and shall not be applied against the limits in this Plan. To the extent Share Units are credited through deferrals of Stock or Employee Contributions where the distribution of which would be deductible by AT&T under Section 162(m) of the Code without regard to the size of the distribution, and such deductible Share Units are available for distribution, such Share Units shall be distributed first.

(b) In the event the Committee determines that continuing the issuance of Share Units under the Plan or Stock Options under the Plan may cause the number of shares of Stock that are to be distributed under this Plan or the number of Stock Options (as determined pursuant to subsection (a), above) to exceed the number of authorized shares of Stock, then in lieu of distributing Stock, the Committee may provide after such determination and only with respect to Share Units that have not theretofore been credited to a Share Deferral Account, that such Share Units may be settled in cash equal to the value of the Stock that would otherwise be distributed based on the FMV of the Stock on the date of the distribution of such Share Unit. The Committee may also provide after such determination and only with respect to Stock Options

that have not theretofore been issued that such Stock Options may only be settled on a Net-Settled basis in cash equal to the value of the Stock that would otherwise be distributed based on the FMV of the Stock on the day of exercise.

(c) In the event of a merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, stock split, share combination, or other change in the corporate structure of AT&T affecting the shares of Stock (including a conversion of Stock into cash or other property), such adjustment shall be made to the number and class of the shares of Stock which may be delivered under the Plan (including but not limited to individual limits), and in the number and class of and/or price of shares of Stock subject to outstanding Options granted under the Plan, and/or in the number of outstanding Options and Share Units, or such other adjustment determined by the Committee, in each case as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights.

3.3 Claims and Appeals.

(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") 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 Committee review the determination of the AT&T Executive Compensation Administration Department. Such request must be addressed to the Committee at

the address for giving notice in this Plan. 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 Committee 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 Committee of the AT&T Executive Compensation Administration Department's decision within such sixty (60)-day period, the Claimant shall be barred and stopped from challenging the determination of the AT&T Executive Compensation Administration Department.

(d) Review of Decision. Within sixty (60) days after the Committee's receipt of a request for review, the Administrator will review the decision of the AT&T Executive Compensation Administration Department. If the Committee determines that special circumstances require an extension of time beyond the initial sixty (60)-day review period, the Committee 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 Committee expects to render its decision on the review of the claim. If this notice is provided, the Committee 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 Committee 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 Committee will render a decision, written in a manner designed to be understood by the Claimant. If the Committee 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 Committee 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.

The Committee shall serve as the final review committee under the Plan and shall have sole and complete discretionary authority to administer, interpret, construe and apply the Plan provisions, and determine all questions of administration, interpretation, construction, and application of the Plan, including questions and determinations of eligibility, entitlement to benefits and the type, form and amount of any payment of benefits, all in its sole and absolute discretion. The Committee shall further have the authority to determine all relevant facts and

related issues, and all documents, records and other information relevant to a claim conclusively for all parties, and in accordance with the terms of the documents or instruments governing the Plan. Decisions by the Committee shall be conclusive and binding on all parties and not subject to further review.

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.

Article 4 - Contributions

4.1 Election to Make Contributions.

(a) The Committee shall establish dates and other conditions for participation in the Plan and making contributions as it deems appropriate. Except as otherwise provided by the Committee, each year an Employee who is an Eligible Employee as of September 30 may thereafter make an election on or prior to the last Business Day of the immediately following November (such election shall be cancelled if the Employee is not an Eligible Employee on the last day such an election may be made) to contribute on a pre-tax basis, through payroll deductions, any combination of the following:

(1) From 6% to 30% (in whole percentage increments) of the Participant's monthly Base Compensation, other than Annual Bonus, during the calendar year (the Plan Year for such contributions) following the calendar year of such election. The Employee Contributions shall be used to acquire Share Units to be credited to the Share Deferral Account for that Plan Year.

(2) Up to 95% (in whole percentage increments or limited to the target amount) of a Short Term Incentive Award, or from 6% to 30% (in whole percentage increments) of Annual Bonus, in each case such contributions shall be made during the second calendar year (which is the Plan Year for such contributions) following the year of such election, except that in 2008 a separate election may be made with respect to contributions to be made in 2009. An Employee may make such an election with respect to the type of Award (Short Term Incentive Award or Annual Bonus) that the Employee is under as of the time the Employee's eligibility to make such election is determined. If because of a promotion or otherwise, the Employee receives a different type of Award instead of, or in partial or full replacement for, the type of Award subject to the Employee's election for the relevant Plan Year, the election will apply to the other Award as well, including but not limited to any individual discretionary award related thereto.

(b) The Committee may permit an Eligible Employee to make an election to purchase Share Units under this Plan with compensation other than Base Compensation or Short Term Incentive Awards on such terms and conditions as such Committee may permit from time to time, provided that any such election is made in accordance with Section 409A of the Code. In no event shall an acquisition of Share Units pursuant to this paragraph (b) or pursuant to the conversion of a right to receive Stock into Share Units (such as through a distribution of Stock under the 2001 Incentive Plan) result in the crediting of an AT&T Matching Contribution or Options.

(c) Notwithstanding anything to the contrary in this Plan, no election shall be effective to the extent it would permit an Employee Contribution or distribution to be made that is not in compliance with Section 409A of the Code. To the extent such election related to Employee

Contributions that complied with such statute and regulations thereunder, that portion of the election shall remain valid, except as otherwise provided under this Plan.

(d) To the extent permitted by Section 409A of the Code, AT&T may refuse or terminate, in whole or in part, any election to purchase Share Units in the Plan at any time; provided, however, that only the Committee may take such action with respect to persons who are Officer Level Employees.

4.2 Purchase of Share Units.

(a) Employee Contributions (as well as any corresponding AT&T Matching Contributions) shall be made pursuant to a proper election, only during the Participant's lifetime; provided, however, with respect to Employee Contribution elections made prior to 2007, the Employee must remain an Eligible Employee while making any such contributions. In the event of a Change in Control of an Employer, subsequent compensation from the Employer may not be contributed to the Plan. The Employer may continue the then current elections of the participants under a subsequent plan in order to comply with applicable tax laws.

(b) The number of Share Units purchased by a Participant during a calendar month shall be found by dividing the Participant's Employee Contributions during the month by the FMV of a share of Stock on the last day of such month.

(c) A contribution to the Plan shall be made when the compensation – from which the contribution is to be deducted – is to be paid ("paid," as used in this Plan, includes amounts contributed to the Plan that would have been paid were it not for an election under this Plan), as determined by the relevant Employer. The Committee may modify or change this paragraph (c) from time to time.

4.3 Reinvestment of Dividends.

In the month containing a record date for a cash dividend on Stock, each Share Deferral Account shall be credited with that number of Share Units equal to the declared dividend per share of Stock, multiplied by the number of Share Units held in such Share Deferral Account as of such record date, and dividing the product by the FMV of a share of Stock on the last day of such month.

Article 5 - AT&T Matching Contributions

5.1 AT&T Match.

(a) Each month AT&T shall credit the Participant's relevant Share Deferral Account with the number of "Matching Share Units" found by taking the percentage of company matching contribution that the Employee is eligible to receive under the AT&T Retirement Savings Plan (or such other 401(k) plan of an Employer that the Employee is eligible to participate in) multiplied by the Participant's Employee Contributions from Base Compensation made to this Plan and to the Cash Deferral Plan during the month with respect to the first six percent (6%) of the Participant's monthly Match Eligible Compensation (as defined below) and dividing the resulting figure by the FMV of the Stock on the last day of such month (such resulting amount shall be the "Matching Contribution"). The monthly "Match Eligible Compensation" shall be the sum of:

(1) the monthly Employee Contributions from Base Compensation to this Plan and the Cash Deferral Plan (in the aggregate, "Deferred BC"), plus

(2) the amount of the Participant's monthly Base Compensation in excess of the Deferred BC ("Non-Deferred BC") but only to the extent such monthly Non-Deferred BC, when

aggregated with the Participant's total Non-Deferred BC for prior months in such Plan Year, as determined by the relevant Employer, exceeds the limit in effect under Section 401(a)(17) of the Code applicable with respect to such Plan Year.

The foregoing formula shall apply regardless of whether or not the Participant makes contributions to a 401(k) plan.

A Participant may receive Matching Share Units in a Share Deferral Account for a particular form of compensation only if the Participant is then making contributions to the same Share Deferral Account; provided, however, this condition shall not apply for purposes of determining under Section 5.1(a)(2) whether the limit described therein has been reached.

As provided in the definition of Share Deferral Account, Matching Share Units shall be credited to the respective Share Deferral Account that is related to the same form of Employee Contributions (either (1) Base Compensation excluding Annual Bonus or (2) Annual Bonus).

(b) In the sole discretion of the Committee, in the event the Committee reduces the number of Options that AT&T issues for each Share Unit purchased, the Committee may provide for the contribution of a Bonus Matching Contribution on such terms as the Committee determines. Such Bonus Matching Contribution may not exceed 20% of the Participant's Employee Contributions for the month. The Bonus Matching Contribution shall be subject to such terms and conditions as required by the Committee and, unless otherwise provided by the Committee, to the same distribution requirements as Matching Contributions. Pursuant to the foregoing authority and until otherwise provided by the Committee, effective for Share Accounts created pursuant to Employee Contribution elections where such elections are made after January 1, 2010, AT&T shall make Bonus Matching Contributions equal to 20% of the Participant's monthly Employee Contributions from each of Base Compensation and Short Term Incentive Award (not to exceed the target amount of such award, which limit shall be pro rated for any partial year award). Such Bonus Matching Contribution shall be used to purchase that number of Matching Share Units found by dividing the relevant Bonus Matching Contribution for the month by the FMV of the Stock on the last day of such month.

5.2 Distribution of Share Units Acquired with Matching Contributions.

A Participant's Matching Share Units shall be distributed in a lump sum, in accordance with the Plan's distribution provisions, in the earlier of: (a) the calendar year following the calendar year of the Termination of Employment of the Participant, or (b) the calendar year in which the Participant reaches age 55, in each case only with respect to Matching Share Units relating to Share Deferral Accounts for Plan Years before such distribution calendar year.

Matching Share Units acquired as part of a Share Deferral Account that commences in or after the calendar year the Employee reaches age 55 or after the calendar year in which the Employee Terminates Employment will be distributed in the same manner and time as other Share Units in such Share Deferral Account.

Notwithstanding anything to the contrary in this section, Matching Share Units acquired in 2008 and later shall be distributed at the same time as other Share Units (including those acquired with Employee Contributions) in the same Share Deferral Account.

Article 6 - Distributions

6.1 Distributions of Share Units.

(a) Initial Election with Respect to a Share Deferral Account. At the time the Participant makes an election to make Employee Contributions with respect to a Share Deferral Account, the Participant shall also elect the calendar year the Share Deferral Account shall be distributed, which may be from the first through fifth calendar years after the Plan Year the Account commenced (except as otherwise provided in this Plan with respect to Matching Share Units). For example, if an Account commenced in 2005, the Participant may elect to commence the distribution in any calendar year from and including 2006 to and including 2010. If no timely distribution election is made by the Participant, then the Participant will be deemed to have made an election to have the Share Deferral Account distributed in a single installment in the first calendar year after the calendar year the Account commenced.

(b) Election to Delay a Scheduled Distribution.

(i) An Employee may elect to defer a scheduled distribution of a Share Deferral Account for five (5) additional calendar years beyond that previously elected (except as otherwise provided in this Plan with respect to Matching Share Units). Unless otherwise provided by AT&T, the election to defer the distribution must be made on or after October 16, and on or before the last Business Day of the next following December, of the calendar year that is the second calendar year preceding the calendar year of the relevant scheduled distribution.

(ii) To make this election, the Participant must be an Employee that is, as determined by AT&T, a member of Employer's "select group of management or highly compensated employees" within the meaning of ERISA on the September 30 immediately preceding such election and on the day of such election.

(iii) An election to defer the distribution of a Share Deferral Account may not be made in the same calendar year that the election to establish the Share Deferral Account is made. Notwithstanding anything to the contrary in this Plan:

a. an election to defer the distribution of a Share Deferral Account must be made at least 12 months prior to the date of the first scheduled payment under the prior distribution election, and

b. the election shall not take effect until at least 12 months after the date on which the election is made.

(c) A Participant's Share Deferral Account shall be distributed to the Participant on March 10 (or as soon thereafter as administratively practicable as determined by AT&T) of the calendar year elected by the Participant for that Account. In the event the distribution is to be made to a "Specified Employee" as a result of the Participant's Termination of Employment (other than as a result of a Change in Control), the distribution shall not occur until the later of such March 10 or six (6) months after the Termination of Employment, except it shall be distributed upon the Participant's earlier death in accordance with this Plan.

6.2 Death of the Participant.

In the event of the death of a Participant, notwithstanding anything to the contrary in this Plan, all undistributed Share Deferral Accounts shall be distributed to the Participant's beneficiary in accordance with the AT&T Rules for Employee Beneficiary Designations, as the

same may be amended from time to time, within the later of 90 days following such determination or the end of the calendar year in which determination was made.

6.3 Unforeseeable Emergency Distribution.

If a Participant experiences an "Unforeseeable Emergency," the Participant may submit a written petition to AT&T (the Committee in the case of Officer Level Employees), to receive a partial or full distribution of his Share Deferral Account(s). In the event that AT&T (the Committee in the case of Officer Level Employees), upon review of the written petition of the Participant, determines in its sole discretion that the Participant has suffered an "Unforeseeable Emergency," AT&T shall make a distribution to the Participant from the Participant's Share Deferral Accounts (other than Matching Share Units), on a pro-rata basis, within the later of 90 days following such determination or the end of the calendar year in which determination was made, subject to the following:

(a) "Unforeseeable Emergency" shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's legal spouse, the Participant's beneficiary, or the Participant's dependent (as defined in Code Section 152, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Committee. Whether a Participant is faced with an Unforeseeable Emergency permitting a distribution is to be determined based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency shall not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan.

(b) The amount of a distribution to be made because of an Unforeseeable Emergency shall not exceed the lesser of (i) the FMV of the Participant's vested Share Deferral Account, calculated as the date on which the amount becomes payable, as determined by AT&T (the Committee in the case of Officer Level Employees) in its sole discretion, and (ii) the amount reasonably necessary, as determined by the AT&T (the Committee in the case of Officer Level Employees) in its sole discretion, to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution). Determinations of the amount reasonably necessary to satisfy the emergency need shall take into account any additional compensation that is available if the plan provides for cancellation of a deferral election upon a payment due to an Unforeseeable Emergency. The determination of amounts reasonably necessary to satisfy the Unforeseeable Emergency need is not required to, but may, take into account any additional compensation that, due to the Unforeseeable Emergency, is available under another nonqualified deferred compensation plan but has not actually been paid, or that is available due to the Unforeseeable Emergency under another plan that would provide for deferred compensation except due to the application of the effective date provisions under Treasury Regulation §1.409A-6.

(c) Upon such distribution on account of an Unforeseeable Emergency under this Plan, any election to make Employee Contributions by such Participant shall be immediately cancelled, and the Participant shall not be permitted to make a new election with respect to Employee Contributions that would be contributed during the then current and immediately following calendar year.

6.4 Ineligible Participant.

Notwithstanding any other provisions of this Plan to the contrary, if AT&T receives an opinion from counsel selected by AT&T, or a final determination is made by a Federal, state or

local government or agency, acting within its scope of authority, to the effect that an individual's continued participation in the Plan would violate applicable law, then such person shall not make further contributions to the Plan to the extent permitted by Section 409A of the Code.

6.5 Conflict of Interest Distribution.

AT&T may in its sole discretion accelerate a distribution(s) to the Participant, provided he or she is no longer actively employed by AT&T: (a) to the extent necessary for any Federal officer or employee in the executive branch to comply with an ethics agreement with the Federal government or (b) to the extent reasonably necessary to avoid the violation of an applicable Federal, state, local, or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the service provider to participate in activities in the normal course of his or her position in which the service provider would otherwise not be able to participate under an applicable rule). Any such distribution may only be made in accordance with Section 409A of the Code and the regulations thereunder.

6.6 Distribution Process.

A Share Deferral Account shall be distributed under this Plan by taking the number of Share Units comprising the Account to be distributed and converting them into an equal number of shares of Stock. (Once distributed, a Share Unit shall be canceled.)

Article 7 - Transition Provisions

7.1 Stockholder Approval

The Plan was approved by Stockholders at the 2005 Annual Meeting of Stockholders.

7.2 2005 Share Deferral Accounts.

Notwithstanding Article 4 to the contrary, if an Employee is an Eligible Employee on September 30, 2004, the Employee may make an election under Article 4 on or prior to December 15, 2004, with respect to the establishment of a Share Deferral Account for the (i) contribution of Base Compensation and/or Short Term Incentive Awards paid during the period from January 1, 2005, through January 15, 2006, which shall be the Plan Year for such Share Deferral Account; and/or (ii) the conversion of a distribution of Stock that would be made during the same Plan Year pursuant to the 2001 Incentive Plan into an equal number of Share Units, so long as such conversion would not cause the recognition of income for Federal income tax purposes in respect of such distribution of Stock prior to distribution of Share Units under this Plan.

7.3 2007 Amendments.

(a) Amendments made to the Plan on November 15, 2007, shall be effective January 1, 2008. except for amendments to this Article 7, which shall be effective upon adoption. Any Participants electing prior to November 15, 2007, to make Employee Contributions in 2008 shall have their elections canceled if they do not consent by December 14, 2007, to all prior amendments to this Plan and to the Cash Deferral Plan. Subject to the foregoing consent requirements, all Employee Contribution elections made prior to 2008, including but not limited to elections to contribute Stock that would be distributed under the 2001 Incentive Plan or a successor plan, shall remain in force, subject to all other terms of the amended Plan. In addition,

all unvested but not forfeited Matching Share Units shall vest on November 15, 2007. Matching Shares that have been forfeited shall not be reinstated, and no amendment to this Plan shall be interpreted as reinstating such forfeitures.

(b) Not withstanding anything to the contrary in this Plan, a Participant who as of December 29, 2006, was eligible for an additional payment pursuant to Section 4A of the BellSouth Corporation Executive Incentive Award Deferral Plan shall not, with respect to the 2008 Plan Year, receive Matching Share Units on Base Compensation that exceeds $230,000.

7.4 2008 Amendments.

For Plan Years prior to 2009, Participants who, at the time of the determination of their eligibility to participate in an Account, are paid through a "sales plan" involving the use of commissions may elect to contribute up to 40% of Base Compensation. For the 2008 Plan Year, only Salary and Short Term Incentive Awards paid after Termination of Employment may be contributed to the Plan.

Article 8 - Options

8.1 Grants.

Options may be issued in definitive form or recorded on the books and records of AT&T for the account of the Participant, at the discretion of AT&T. If AT&T elects not to issue the Options in definitive form, they shall be deemed issued, and the Participants shall have all rights incident thereto as if they were issued on the dates provided herein, without further action on the part of AT&T or the Participant. In addition to the terms herein, all Options shall be subject to such additional provisions and limitations as provided in any Administrative Procedures adopted by the Committee prior to the issuance of such Options. The number of Options issued to a Participant shall be reflected on the Participant's annual statement of account.

8.2 Term of Options.

The Options may only be exercised: (a) after the earlier of (i) the expiration of one (1) year from date of issue or (ii) the Participant's Termination of Employment, and (b) no later than the tenth (10^{th}) anniversary of their issue; and Options shall be subject to earlier termination as provided herein.

8.3 Exercise Price.

The Exercise Price of an Option shall be the FMV of the Stock on the date of issuance of the Option, and an Option may not be repriced.

8.4 Issuance of Options.

(a) For each Share Deferral Account established by a Participant pursuant to an Employee Contribution election where such election was made prior to January 1, 2010:

(1) on June 15 of the Plan Year for the Share Deferral Account, the Participant shall receive two (2) Options for each Share Unit acquired by the Participant as part of such Share Deferral Account during the immediately preceding January through May period with Employee Contributions of Base Compensation and/or Short Term Incentive Award. A fractional number of Options shall be rounded up to the next whole number.

(2) on the February 15 immediately following the Plan Year for the Share Deferral Account, a Participant shall receive:

(i) two (2) Options for each Share Unit acquired by the Participant as part of such Share Deferral Account during the immediately preceding June through the remainder of the relevant Plan Year with Employee Contributions of Base Compensation and/or Short Term Incentive Award; and

(ii) two (2) Options for each Share Unit acquired prior to such date by the Participant with dividend equivalents that were derived, directly or indirectly (such as dividend equivalents paid on Share Units acquired with dividend equivalents), from Share Units acquired with Employee Contributions as part of such Share Deferral Account.

(b) A fractional number of Options shall be rounded up to the next whole number.

(c) If Stock is not traded on the NYSE on any of the foregoing Option issuance dates, then the Options shall not be issued until the next such day on which Stock is so traded.

(d) If a Participant Terminates Employment other than (i) while Retirement eligible or (ii) because of death or Disability, no further Options shall be issued to or with respect to such Participant. In the event of re-Employment following a Termination of Employment, the preceding sentence shall not apply to those Options resulting from participation in the Plan after such re-Employment until a subsequent Termination of Employment.

(e) No more than 400,000 Options shall be issued to any individual under this Plan during a calendar year. No Share Unit may be counted more than once for the issuance of Options.

(f) The Committee may, in its sole discretion, at any time, increase or lower the number of Options that are to be issued for each Share Unit acquired, not to exceed two (2) Options per Share Unit purchased. However, if the Committee lowers the number of Options, then such change shall only be effective with respect to the next Share Deferral Account a Participant may elect to establish.

(g) The Committee may also, at any time and in any manner, limit the number of Options which may be acquired as a result of the Short Term Incentive Award being contributed to the Plan. Further, except as otherwise provided by the Committee, in determining the number of Options to be issued to a Participant with respect to a Participant's contribution of a Short Term Incentive Award to the Plan and subsequent crediting of Share Units, Options may be issued only with respect to an amount which does not exceed the target amount of such award (or such other portion of the award as may be determined by the Committee). Where a Participant’s election to contribute a Short Term Incentive Award to the Plan becomes applicable to Annual Bonus, the above limitation on options shall apply to the contribution of Annual Bonus as though it were a Short Term Incentive Award.

(h) No options shall be issued to or in respect of a Participant for a particular issuance, unless at least ten (10) Options will be issued to that Participant.

8.5 Exercise and Payment of Options.

Options shall be exercised by providing notice to the designated agent selected by AT&T (if no such agent has been designated, then to AT&T), in the manner and form determined by AT&T, which notice shall be irrevocable, setting forth the exact number of shares of Stock with respect to which the Option is being exercised and including with such notice payment of the Exercise Price. When Options have been transferred, AT&T or its designated agent may require appropriate documentation that the person or persons exercising the Option, if other than the Participant, has the right to exercise the Option. No Option may be exercised with respect to a fraction of a share of Stock.

Exercises of Options may be effected only on days and during the hours that the New York Stock Exchange is open for regular trading or as otherwise provided or limited by AT&T. If an Option expires on a day or at a time when exercises are not permitted, then the Options may be exercised no later than the immediately preceding date and time that the Options were exercisable.

The Exercise Price shall be paid in full at the time of exercise. No Stock shall be issued or transferred until full payment has been received therefore.

Payment may be made:

(a) in cash, or

(b) unless otherwise provided by the Committee at any time, and subject to such additional terms and conditions and/or modifications as AT&T may impose from time to time, and further subject to suspension or termination of this provision by AT&T at any time, by:

(i) electing a Stock-Settled Exercise on or after February 1, 2013. Upon exercise of Options through a Stock-Settled Exercise, the Participant shall receive that number of shares of Stock found by (1) subtracting the Exercise Price of an Option being exercised (on a per share basis) from the FMV of the Stock as of the immediately preceding day that the Stock was traded on the NYSE, (2) multiplying the difference by the number of Options being exercised, and (3) dividing the result by the same FMV. For example, a Participant exercises 1,000 Options with an Exercise Price of $30 (exercises may only occur on a day when the NYSE is open for regular trading) and the FMV for the immediately preceding trading day was $40. In that case, the Participant would receive his $10,000 profit in the form of 250 shares of Stock, subject to tax withholding and any other costs provided under this Plan.

or;

(ii) if AT&T has designated a stockbroker to act as AT&T's agent to process Option exercises, issuance of an exercise notice to such stockbroker together with instructions irrevocably instructing the stockbroker: (A) to immediately sell (which shall include an exercise notice that becomes effective upon execution of a

sell order) a sufficient portion of the Stock to pay the Exercise Price of the Options being exercised and the required tax withholding, and (B) to deliver on the settlement date the portion of the proceeds of the sale equal to the Exercise Price and tax withholding to AT&T. In the event the stockbroker sells any Stock on

behalf of a Participant, the stockbroker shall be acting solely as the agent of the Participant, and AT&T disclaims any responsibility for the actions of the stockbroker in making any such sales. No Stock shall be issued until the settlement date and until the proceeds (equal to the Exercise Price and tax withholding) are paid to AT&T.

8.6 Restrictions on Exercise and Transfer.

No Option shall be transferable except: (a) upon the death of a Participant in accordance with AT&T's Rules for Employee Beneficiary Designations, as the same may be amended from time to time; and (b) in the case of any holder after the Participant's death, only by will or by the laws of descent and distribution. During the Participant's lifetime, the Participant's Options shall be exercisable only by the Participant or by the Participant's guardian or legal representative. After the death of the Participant, an Option shall only be exercised by the holder thereof (including but not limited to an executor or administrator of a decedent's estate) or his or her guardian or legal representative. In each such case the Option holder shall be considered a Participant for the limited purpose of exercising such Options.

8.7 Termination of Employment.

(a) *Not Retirement Eligible.* Unless otherwise provided by the Committee, if a Participant Terminates Employment while not Retirement eligible, a Participant's Options may be exercised, to the extent then exercisable:

(i) if such Termination of Employment is by reason of death or Disability, then for a period of three (3) years from the date of such Termination of Employment or until the expiration of the stated term of such Option, whichever period is shorter; or

(ii) if such Termination of Employment is for any other reason, then for a period of one (1) year from the date of such Termination of Employment or until the expiration of the stated term of such Option, whichever period is shorter.

(b) *Retirement Eligible.* Unless otherwise provided by the Committee, if a Participant Terminates Employment while Retirement eligible, the Participant's Option may be exercised, to the extent then exercisable: (i) for a period of five (5) years from the date of Retirement or (ii) until the expiration of the stated term of such Option, whichever period is shorter.

(c) Re-Employment of a Participant after a Termination of Employment shall have no effect on the periods during which Options resulting from the prior Employment may be exercised. For example, if the Option exercise period has been shortened because of the prior Termination of Employment, it shall not be extended because of the re-Employment.

(d) Notwithstanding any other definition of Termination of Employment under this Plan, for purposes of this Article 8 – Options only, a Termination of Employment shall mean the cessation of the Employee being employed by any corporation, partnership, venture or other entity in which AT&T holds, directly or indirectly, a 50% or greater ownership interest, including but not limited to where AT&T ceases to hold such interest in the employing company.

In addition, the definition of Retirement for purposes of this Article 8 shall use the immediately foregoing definition of Termination of Employment in lieu of any other definition.

Article 9 - Discontinuation, Termination, Amendment.

9.1 AT&T's Right to Discontinue Offering Share Units.

The Committee may at any time discontinue offerings of Share Units under the Plan. Any such discontinuance shall have no effect upon existing Share Units or the terms or provisions of this Plan as applicable to such Share Units.

9.2 AT&T's Right to Terminate Plan.

The Committee may terminate the Plan at any time. Upon termination of the Plan, contributions shall no longer be made under the Plan.

After termination of the Plan, Participants shall continue to earn dividend equivalents in the form of Share Units on undistributed Share Units and shall continue to receive all distributions under this Plan at such time as provided in and pursuant to the terms and conditions of Participant's elections and this Plan. Notwithstanding the foregoing, the termination of the Plan shall be made solely in accordance with Section 409A of the Code and in no event shall cause the accelerated distribution of any Account unless such termination is effected in accordance with Section 409A of the Code.

9.3 Amendment.

The Committee may at any time amend the Plan in whole or in part including but not limited to changing the formulas for determining the amount of AT&T Matching Contributions under Article 5 or decreasing the number of Options to be issued under Article 8; provided, however, that no amendment, including but not limited to an amendment to this section, shall be effective, without the consent of a Participant, to alter, to the material detriment of such Participant, a Share Deferral Account of the Participant, other than as provided elsewhere in this section. For purposes of this section, an alteration to the material detriment of a Participant shall include, but not be limited to, a material reduction in the period of time over which Stock may be distributed to a Participant, any reduction in the Participant's number of vested Share Units or Options, or an increase in the Exercise Price or decrease in the term of an Option. Any such consent may be in a writing, telecopy, or e-mail or in another electronic format. An election to acquire Share Units with Employee Contributions shall be conclusively deemed to be the consent of the Participant to any and all amendments to the Plan prior to such election, and such consent shall be a condition to making any election with respect to Employee Contributions.

Notwithstanding anything to the contrary contained in this section of the Plan, the Committee may modify this Plan with respect to any person subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended (“Exchange Act”) to place additional restrictions on the exercise of any Option or the transfer of any Stock not yet issued under the Plan.

The Plan is established in order to provide deferred compensation to a select group of management and highly compensated employees with in the meaning of Sections 201(2) and 301(a)(3) of ERISA. To the extent legally required, the Code and ERISA shall govern the Plan, and if any provision hereof is in violation of an applicable requirement thereof, the Company reserves the right to retroactively amend the Plan to comply therewith to the extent permitted under the Code and ERISA. The Company also reserves the right to make such other changes as

may facilitate implementation of Section 409A of the Code. Provided, however, that in no event shall any such amendments be made in violation of the requirements of Section 409A of the Code.

Article 10 – Miscellaneous.

10.1 Tax Withholding.

Upon distribution of Stock, including but not limited to, shares of Stock issued upon the exercise of an Option, AT&T shall withhold shares of Stock sufficient in value, using the FMV on the date determined by AT&T to be used to value the Stock for tax purposes, to satisfy the minimum amount of Federal, state, and local taxes required by law to be withheld as a result of such distribution. Employment taxes incurred by a Participant on Employee Contributions and on Matching Contributions shall be withheld from the Participant's regular wages or paid in cash by the Participant as they become due.

Any fractional share of Stock payable to a Participant shall be withheld as additional Federal withholding, or, at the option of AT&T, paid in cash to the Participant.

Unless otherwise determined by the Committee, when the method of payment for the Exercise Price is from the sale by a stockbroker pursuant to Section 8.5, hereof, of the Stock acquired through the Option exercise, then the tax withholding shall be satisfied out of the proceeds. For administrative purposes in determining the amount of taxes due, the sale price of such Stock shall be deemed to be the FMV of the Stock.

10.2 Elections and Notices.

Notwithstanding anything to the contrary contained in this Plan, all elections and notices of every kind under this Plan shall be made (1) on forms prepared by AT&T or the General Counsel, Secretary or Assistant Secretary, or their respective delegates, or (2) in such other manner as permitted or required by AT&T or the General Counsel, Secretary or Assistant Secretary, or their respective delegates, including through electronic means, over the Internet or otherwise. An election shall be deemed made when received by AT&T (or its designated agent, but only in cases where the designated agent has been appointed for the purpose of receiving such election), which may waive any defects in form. Unless made irrevocable by the electing person, each election with regard to making Employee Contributions or distributions of Share Deferral Accounts shall become irrevocable at the close of business on the last day the Employee is permitted to make such election. Notwithstanding anything to the contrary in this Plan, AT&T may place additional limits on the times during which elections may be made to make contribution(s) or to delay distribution(s).

If not otherwise specified by this Plan or AT&T, any notice or filing required or permitted to be given to AT&T under the Plan shall be delivered to the principal office of AT&T, directed to the attention of the Senior Executive Vice President in charge of Human Resources for AT&T or his or her successor. Such notice shall be deemed given on the date of delivery.

Notice to the Participant shall be deemed given when mailed (or sent by telecopy) to the Participant's work or home address as shown on the records of AT&T or, at the option of AT&T, to the Participant's e-mail address as shown on the records of AT&T. It is the Participant's responsibility to ensure that the Participant's addresses are kept up to date on the records of AT&T. In the case of notices affecting multiple Participants, the notices may be given by general distribution at the Participants' work locations.

By participating in the Plan, each Participant agrees that AT&T may provide any documents required or permitted under the Federal or state securities laws, including but not limited to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as

amended, by e-mail, by e-mail attachment, or by notice by e-mail of electronic delivery through AT&T's Internet Web site or by other electronic means.

10.3 Unsecured General Creditor.

Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any property or assets of any Employer. No assets of any Employer shall be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of any Employer under this Plan. Any and all of each Employer's assets shall be, and remain, the general, unpledged, unrestricted assets of such Employer. The only obligation of an Employer under the Plan shall be merely that of an unfunded and unsecured promise of AT&T to distribute shares of Stock corresponding to Share Units and Options, under the Plan.

10.4 Non-Assignability.

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt, shares of Stock corresponding to Share Units under the Plan, if any, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the Stock distributable shall, prior to actual distribution, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

10.5 Employment Not Guaranteed.

Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any employee any right to be retained in the employ of an Employer or to serve as a director.

10.6 Errors.

At any time AT&T or an Employer may correct any error made under the Plan without prejudice to AT&T or any Employer. Neither AT&T nor any Employer shall be liable for any damages resulting from failure to timely allow any contribution to be made to the Plan or for any damages resulting from the correction of, or a delay in correcting, any error made under the Plan. In no event shall AT&T or any Employer be liable for consequential or incidental damages arising out of a failure to comply with the terms of the Plan.

10.7 Captions.

The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control nor affect the meaning or construction of any of its provisions.

10.8 Governing Law.

To the extent not preempted by Federal law, the Plan, and all benefits and agreements hereunder, and any and all disputes in connection therewith, shall be governed by and construed in accordance with the substantive laws of the State of Texas, without regard to conflict or choice of law principles which might otherwise refer the construction, interpretation or enforceability of this Plan to the substantive law of another jurisdiction.

Because benefits under the Plan are granted in Texas, records relating to the Plan and benefits thereunder are located in Texas, and the Plan and benefits thereunder are administered in Texas, AT&T and the Participant under this Plan, for themselves and their successors and assigns,

irrevocably submit to the exclusive and sole jurisdiction and venue of the state or Federal courts of Texas with respect to any and all disputes arising out of or relating to this Plan, the subject matter of this Plan or any benefits under this Plan, including but not limited to any disputes arising out of or relating to the interpretation and enforceability of any benefits or the terms and conditions of this Plan. To achieve certainty regarding the appropriate forum in which to prosecute and defend actions arising out of or relating to this Plan, and to ensure consistency in application and interpretation of the Governing Law to the Plan, the parties agree that (a) sole and exclusive appropriate venue for any such action shall be an appropriate Federal or state court in Dallas County, Texas, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Texas court, and no other, (c) such Texas court shall have sole and exclusive jurisdiction over the person of such parties and over the subject matter of any dispute relating hereto and (d) that the parties waive any and all objections and defenses to bringing any such action before such Texas court, including but not limited to those relating to lack of personal jurisdiction, improper venue or *forum non conveniens*.

10.9 Plan to Comply with Section 409A.

In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan. Notwithstanding any provision to the contrary in this Plan, each provision in this Plan shall be interpreted to permit the deferral of compensation in accordance with Section 409A of the Code and any provision that would conflict with such requirements shall not be valid or enforceable.

10.10 Successors and Assigns.

This Plan shall be binding upon AT&T and its successors and assigns.

10.11 Loyalty Conditions for Officer Level Employees and Senior Managers

Each Officer Level Employee or a Senior Manager who elects to make Employee Contributions under Section 4.1 of this Plan shall be subject to the agreements and conditions of this section.

(a) By making an Employee Contribution election under Section 4.1 of this Plan after September 1, 2009, a Participant acknowledges that AT&T would be unwilling to provide for such an election but for the loyalty conditions and covenants set forth in this section, and that the conditions and covenants herein are a material inducement to AT&T's willingness to sponsor the Plan and to offer Plan benefits for the Participants. Accordingly, as a condition to making an Employee Contribution election under Section 4.1 of this Plan after September 1, 2009, each such electing Participant is deemed to agree that he shall not, without obtaining the written consent of the Committee 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.

(b) Definitions. For purposes of this section and of the Plan generally:

(i) an "Employer Business" shall mean AT&T Inc. and any of its Subsidiaries, or any business in which they or any affiliate of theirs has a substantial ownership or joint venture interest;

(ii) "engaging in competition with AT&T" shall mean, while employed by AT&T or any of its Subsidiaries, or within two (2) years after 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 non-substantial 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 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 AT&T or any of its Subsidiaries, or within two (2) years after 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 any of its Subsidiaries during the one (1) year prior to the Participant’s Termination of Employment, whether or not acceptance of such position would constitute a breach of such person’s contractual obligations to AT&T or any of its Subsidiaries; (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 Participant’s Termination of Employment (regardless of the reason for that termination) to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with AT&T or any of its Subsidiaries; 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 (“Customer”), on behalf of any Employer Business during the two (2) years prior to the Participant’s Termination of Employment (regardless of the reason for that termination), 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” shall also mean, 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 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

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 Participant from a third party; (iii) was known to Participant prior to receipt from the Employer Business; or (iv) was independently developed by 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 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.

(c) Equitable Relief. The parties recognize that any Participant's breach of any of the covenants in this section will cause irreparable injury to the 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 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 (including the accrual or granting of Share Units, Matching Share Units and Options) for all Participants. Accordingly, in the event of a Participant's actual or threatened breach of the covenants in this section, the Committee, 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 Section. AT&T shall pay for any Plan expenses that the Committee incurs hereunder, and shall be entitled to recover from the Participant its reasonable attorneys' fees and costs incurred in obtaining such injunctive remedies.

(d) 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 ability to make Employee Contribution elections under Section 4.1 of this Plan after September 1, 2009, that each and all of the following conditions apply to all such electing Participants:

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

(ii) All litigation between the parties relating to this section 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.

Attachment A

Eligibility Criteria
Stock Purchase and Deferral Plan (the "Plan")

Effective July 29, 2021

The following criteria shall apply with respect to participation in the Plan, subject to all other requirements of the Plan:

Management Employees who are "third level or above managers" (as indicated by a job level indicator of "3" or higher) or the equivalent, are eligible to participate in the Plan and shall be deemed to be included as members of "Employer's 'select group of management or highly compensated employees'" for purposes of the Employee Retirement Income Security Act.

To be an Eligible Employee, the Employer of the Employee must be a domestic Subsidiary (a Subsidiary that is incorporated or organized under the laws of a state of the United States). Employees who are not citizens of the United States but who otherwise meet eligibility criteria must be stationed in the United States to be an Eligible Employee.

An Employee shall not be considered an Eligible Employee for purposes of making a contribution election under the Plan while the Employee is:

An Employee of or scheduled to become an Employee of, one of the following companies or its respective directly or indirectly held subsidiaries:

i. AT&T Technical Services, Inc.
ii. DIRECTV Entertainment Holdings, LLC
iii. Warner Media, LLC

Each of the above companies are an "Excluded Company". In addition, an Employee's contribution election shall be canceled if on the last day of the calendar year for making such election, the Employee was an Employee of or scheduled to become an Employee of an Excluded Company.

Notwithstanding the foregoing, an Employee of an Excluded Company may make a contribution election and such election shall not be cancelled if such Employee is scheduled to become an Employee of a Subsidiary other than an Excluded Company as of January 1 of the Plan Year for which the election is made. Provided, however, if such Employee has elected to participate in the Warner Media, LLC. Supplemental Savings Plan with respect to an element of compensation, such as Salary or Annual Bonus with respect to a Plan Year, such Employee may not make a similar election under the Plan with respect to the same form of compensation for the same Plan Year.

Residents of Puerto Rico or other territories of the United States ("territory"; shall not include any state of the United States) are also ineligible to participate in the Plan.

Capitalized terms used herein shall have the meanings set forth in the Plan, as applicable, unless the context requires otherwise.

Eligibility under the foregoing criteria shall be determined by the AT&T Management Compensation Group or the AT&T Executive Compensation Group, as applicable.

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 4, 2021

/s/ John T. Stankey
John T. Stankey
Chief Executive Officer and
President

Exhibit 31.2

CERTIFICATION

I, Pascal Desroches, 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 4, 2021

/s/ Pascal Desroches
Pascal Desroches
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, 2021 (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 4, 2021

By: /s/ John T. Stankey
John T. Stankey
Chief Executive Officer
and President

November 4, 2021

By: /s/ Pascal Desroches
Pascal Desroches
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.