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, 2022

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. 2.500% 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 31, 2022, there were 7,127 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,	
	2022	2021	**2022**	2021
Operating Revenues				
Service	**$ 24,731**	$ 26,247	**$ 72,998**	$ 87,340
Equipment	**5,312**	5,079	**16,400**	15,603
Total operating revenues	**30,043**	31,326	**89,398**	102,943
Operating Expenses				
Cost of revenues				
Equipment	**5,440**	5,401	**17,010**	16,242
Broadcast, programming and operations	**—**	1,117	**—**	8,106
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**6,761**	6,915	**20,267**	21,834
Selling, general and administrative	**7,202**	7,094	**21,445**	22,301
Asset impairments and abandonments and restructuring	**114**	105	**745**	105
Depreciation and amortization	**4,514**	4,457	**13,426**	13,352
Total operating expenses	**24,031**	25,089	**72,893**	81,940
Operating Income	**6,012**	6,237	**16,505**	21,003
Other Income (Expense)				
Interest expense	**(1,420)**	(1,627)	**(4,548)**	(5,090)
Equity in net income (loss) of affiliates	**392**	183	**1,417**	159
Other income (expense) — net	**2,270**	1,522	**6,729**	6,958
Total other income (expense)	**1,242**	78	**3,598**	2,027
Income from Continuing Operations Before Income Taxes	**7,254**	6,315	**20,103**	23,030
Income tax expense on continuing operations	**908**	1,296	**3,857**	4,456
Income from Continuing Operations	**6,346**	5,019	**16,246**	18,574
Income (loss) from discontinued operations, net of tax	**53**	1,254	**(146)**	(2,485)
Net Income	**6,399**	6,273	**16,100**	16,089
Less: Net Income Attributable to Noncontrolling Interest	**(373)**	(355)	**(1,107)**	(1,051)
Net Income Attributable to AT&T	**$ 6,026**	$ 5,918	**$ 14,993**	$ 15,038
Less: Preferred Stock Dividends	**(49)**	(50)	**(149)**	(156)
Net Income Attributable to Common Stock	**$ 5,977**	$ 5,868	**$ 14,844**	$ 14,882
Basic Earnings Per Share from continuing operations	**$ 0.82**	$ 0.64	**$ 2.08**	$ 2.40
Basic Earnings Per Share from discontinued operations	**$ 0.01**	$ 0.18	**$ (0.02)**	$ (0.33)
Basic Earnings Per Share Attributable to Common Stock	**$ 0.83**	$ 0.82	**$ 2.06**	$ 2.07
Diluted Earnings Per Share from continuing operations	**$ 0.79**	$ 0.63	**$ 2.03**	$ 2.37
Diluted Earnings Per Share from discontinued operations	**$ 0.01**	$ 0.17	**$ (0.02)**	$ (0.33)
Diluted Earnings Per Share Attributable to Common Stock	**$ 0.80**	$ 0.80	**$ 2.01**	$ 2.04
Weighted Average Number of Common Shares Outstanding — Basic (in millions)	**7,153**	7,171	**7,169**	7,167
Weighted Average Number of Common Shares Outstanding — with Dilution (in millions)	**7,647**	7,506	**7,605**	7,491

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,	
	2022	2021	**2022**	2021
Net income	**$ 6,399**	$ 6,273	**$ 16,100**	$ 16,089
Other comprehensive income (loss), net of tax:				
Foreign currency:				
Translation adjustment (includes $0, $(4), $0 and $(2) attributable to noncontrolling interest), net of taxes of $(38), $(17), $25 and $(13)	**(88)**	(86)	**160**	106
Distribution of WarnerMedia, net of taxes of $0, $0, $(38) and $0	**(12)**	**—**	**(182)**	—
Securities:				
Net unrealized gains (losses), net of taxes of $(15), $(1), $(52) and $(13)	**(43)**	(4)	**(152)**	(39)
Reclassification adjustment included in net income, net of taxes of $1, $0, $3 and $(1)	**1**	(1)	**7**	(4)
Derivative instruments:				
Net unrealized gains (losses), net of taxes of $(143), $(54) $(246) and $(160)	**(540)**	(195)	**(885)**	(593)
Reclassification adjustment included in net income, net of taxes of $3, $4, $22 and $16	**12**	11	**85**	57
Distribution of WarnerMedia, net of taxes of $0, $0, $(12) and $0	**—**	—	**(24)**	—
Defined benefit postretirement plans:				
Net prior service credit arising during the period, net of taxes of $583, $0, $583 and $0	**1,787**	—	**1,787**	$ —
Amortization of net prior service credit included in net income, net of taxes of $(180), $(165), $(484) and $(495)	**(551)**	(505)	**(1,477)**	(1,516)
Distribution of WarnerMedia, net of taxes of $0, $0, $5 and $0	**—**	—	**25**	—
Other comprehensive income (loss)	**566**	(780)	**(656)**	(1,989)
Total comprehensive income	**6,965**	5,493	**15,444**	14,100
Less: Total comprehensive income attributable to noncontrolling interest	**(373)**	(351)	**(1,107)**	(1,049)
Total Comprehensive Income Attributable to AT&T	**$ 6,592**	$ 5,142	**$ 14,337**	$ 13,051

See Notes to Consolidated Financial Statements.

AT&T INC.

CONSOLIDATED BALANCE SHEETS

Dollars in millions except per share amounts

(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	**$ 2,423**	$ 19,223
Accounts receivable – net of related allowances for credit loss of $646 and $658	**11,384**	12,313
Inventories	**3,935**	3,325
Prepaid and other current assets	**14,553**	16,131
Assets from discontinued operations	**—**	119,776
Total current assets	**32,295**	170,768
Property, plant and equipment	**327,903**	324,613
Less: accumulated depreciation and amortization	**(200,858)**	(202,964)
Property, Plant and Equipment – Net	**127,045**	121,649
Goodwill	**92,725**	92,740
Licenses – Net	**123,856**	113,830
Other Intangible Assets – Net	**5,362**	5,391
Investments in and Advances to Equity Affiliates	**3,964**	6,168
Operating Lease Right-Of-Use Assets	**21,782**	21,824
Other Assets	**19,434**	19,252
Total Assets	**$ 426,463**	$ 551,622
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	**$ 9,626**	$ 24,620
Note payable to DIRECTV	**271**	1,245
Accounts payable and accrued liabilities	**36,642**	39,095
Advanced billings and customer deposits	**3,705**	3,966
Dividends payable	**2,013**	3,749
Liabilities from discontinued operations	**—**	33,555
Total current liabilities	**52,257**	106,230
Long-Term Debt	**123,854**	151,011
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**56,055**	53,767
Postemployment benefit obligation	**6,152**	12,560
Operating lease liabilities	**18,741**	18,956
Other noncurrent liabilities	**29,426**	25,243
Total deferred credits and other noncurrent liabilities	**110,374**	110,526
Stockholders' Equity		
Preferred stock ($1 par value, 10,000,000 authorized at September 30, 2022 and December 31, 2021):		
Series A (48,000 issued and outstanding at September 30, 2022 and December 31, 2021)	**—**	—
Series B (20,000 issued and outstanding at September 30, 2022 and December 31, 2021)	**—**	—
Series C (70,000 issued and outstanding at September 30, 2022 and December 31, 2021)	**—**	—
Common stock ($1 par value, 14,000,000,000 authorized at September 30, 2022 and December 31, 2021: issued 7,620,748,598 at September 30, 2022 and December 31, 2021)	**7,621**	7,621
Additional paid-in capital	**122,933**	130,112
Retained earnings	**6,127**	42,350
Treasury stock (494,560,271 at September 30, 2022 and 479,684,705 at December 31, 2021, at cost)	**(17,148)**	(17,280)
Accumulated other comprehensive income	**2,873**	3,529
Noncontrolling interest	**17,572**	17,523
Total stockholders' equity	**139,978**	183,855
Total Liabilities and Stockholders' Equity	**$ 426,463**	$ 551,622

See Notes to Consolidated Financial Statements.

AT&T INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in millions

(Unaudited)

	Nine months ended September 30,	
	2022	2021
Operating Activities		
Income from continuing operations	**$ 16,246**	$ 18,574
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations:		
Depreciation and amortization	**13,426**	13,352
Provision for uncollectible accounts	**1,323**	857
Deferred income tax expense	**2,947**	5,234
Net (gain) loss on investments, net of impairments	**412**	(298)
Pension and postretirement benefit expense (credit)	**(2,529)**	(2,876)
Actuarial (gain) loss on pension and postretirement benefits	**(3,838)**	(3,021)
Asset impairments and abandonments and restructuring	**745**	105
Changes in operating assets and liabilities:		
Receivables	**1,021**	(101)
Other current assets	**(799)**	(484)
Accounts payable and other accrued liabilities	**(3,261)**	(2,660)
Equipment installment receivables and related sales	**906**	715
Deferred customer contract acquisition and fulfillment costs	**(756)**	287
Postretirement claims and contributions	**(443)**	(425)
Other - net	**64**	(166)
Total adjustments	**9,218**	10,519
Net Cash Provided by Operating Activities from Continuing Operations	**25,464**	29,093
Investing Activities		
Capital expenditures	**(15,397)**	(12,051)
Acquisitions, net of cash acquired	**(9,959)**	(23,533)
Dispositions	**49**	7,061
Distributions from DIRECTV in excess of cumulative equity in earnings	**2,205**	—
Other - net	**91**	(5)
Net Cash Used in Investing Activities from Continuing Operations	**(23,011)**	(28,528)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**84**	630
Issuance of other short-term borrowings	**3,955**	17,476
Repayment of other short-term borrowings	**(16,861)**	(2,448)
Issuance of long-term debt	**479**	9,931
Repayment of long-term debt	**(24,412)**	(1,574)
Note payable to DIRECTV, net of payments	**(1,070)**	1,439
Payment of vendor financing	**(4,237)**	(4,013)
Purchase of treasury stock	**(875)**	(191)
Issuance of treasury stock	**28**	89
Dividends paid	**(7,845)**	(11,319)
Other - net	**(3,649)**	(1,567)
Net Cash (Used in) Provided by Financing Activities from Continuing Operations	**(54,403)**	8,453
Net (decrease) increase in cash and cash equivalents and restricted cash from continuing operations	**(51,950)**	9,018
Cash flows from Discontinued Operations:		
Cash (used in) provided by operating activities	**(3,754)**	1,610
Cash provided by (used in) investing activities	**1,029**	1,195
Cash provided by (used in) financing activities	**35,853**	(288)
Net increase (decrease) in cash and cash equivalents and restricted cash from discontinued operations	**33,128**	**2,517**
Net (decrease) increase in cash and cash equivalents and restricted cash	**$ (18,822)**	$ 11,535
Cash and cash equivalents and restricted cash beginning of year	**21,316**	9,870
Cash and Cash Equivalents and Restricted Cash End of Period	**$ 2,494**	$ 21,405

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, 2022		September 30, 2021		**September 30, 2022**		September 30, 2021	
	Shares	**Amount**	Shares	Amount	**Shares**	**Amount**	Shares	Amount
Preferred Stock - Series A								
Balance at beginning of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Balance at end of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Preferred Stock - Series B								
Balance at beginning of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Balance at end of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
Preferred Stock - Series C								
Balance at beginning of period	**—**	**$ —**	—	$ —	**—**	**$ —**	—	$ —
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
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		**$ 122,850**		$ 129,941		**$ 130,112**		$ 130,175
Distribution of WarnerMedia		**—**		—		**(6,832)**		—
Issuance of treasury stock		**(5)**		(2)		**(149)**		(77)
Share-based payments		**88**		96		**(198)**		(63)
Balance at end of period		**$ 122,933**		$ 130,035		**$ 122,933**		$ 130,035
Retained Earnings								
Balance at beginning of period		**$ 2,128**		$ 38,947		**$ 42,350**		$ 37,457
Net income attributable to AT&T		**6,026**		5,918		**14,993**		15,038
Distribution of WarnerMedia		**—**		—		**(45,041)**		—
Preferred stock dividends		**(36)**		(36)		**(171)**		(188)
Common stock dividends ($0.2775, $0.52, $0.8325 and $1.56 per share)		**(1,991)**		(3,738)		**(6,004)**		(11,216)
Balance at end of period		**$ 6,127**		$ 41,091		**$ 6,127**		$ 41,091

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, 2022		September 30, 2021		**September 30, 2022**		September 30, 2021	
	Shares	**Amount**	Shares	Amount	**Shares**	**Amount**	Shares	Amount
Treasury Stock								
Balance at beginning of period	**(495)**	**$ (17,160)**	(481)	$ (17,332)	**(480)**	**$ (17,280)**	(495)	$ (17,910)
Repurchase and acquisition of common stock	**—**	**(3)**	(1)	(10)	**(43)**	**(875)**	(8)	(225)
Reissuance of treasury stock	**—**	**15**	1	23	**28**	**1,007**	22	816
Balance at end of period	**(495)**	**$ (17,148)**	(481)	$ (17,319)	**(495)**	**$ (17,148)**	(481)	$ (17,319)
Accumulated Other Comprehensive Income Attributable to AT&T, net of tax								
Balance at beginning of period		**$ 2,307**		$ 3,119		**$ 3,529**		$ 4,330
Other comprehensive income attributable to AT&T		**566**		(776)		**(656)**		(1,987)
Balance at end of period		**$ 2,873**		$ 2,343		**$ 2,873**		$ 2,343
Noncontrolling Interest								
Balance at beginning of period		**$ 17,561**		$ 17,550		**$ 17,523**		$ 17,567
Net income attributable to noncontrolling interest		**373**		355		**1,107**		1,051
Acquisition of interest held by noncontrolling owners		**(18)**		—		**(34)**		—
Distributions		**(344)**		(369)		**(1,024)**		(1,084)
Translation adjustments attributable to noncontrolling interest, net of taxes		**—**		(4)		**—**		(2)
Balance at end of period		**$ 17,572**		$ 17,532		**$ 17,572**		$ 17,532
Total Stockholders' Equity at beginning of period		**$ 135,307**		$ 179,846		**$ 183,855**		$ 179,240
Total Stockholders' Equity at end of period		**$ 139,978**		$ 181,303		**$ 139,978**		$ 181,303

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 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, 2021. 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 April 8, 2022, we completed the separation of our WarnerMedia business, which represented substantially all of our WarnerMedia segment, in a Reverse Morris Trust transaction, under which Magallanes, Inc. (Spinco), a formerly wholly-owned subsidiary of AT&T that held the WarnerMedia business, was distributed to AT&T stockholders via a pro rata dividend, followed by the combination of Spinco with a subsidiary of Discovery, Inc. (Discovery), which was renamed Warner Bros. Discovery, Inc. (WBD). (See Notes 8 and 13)

Upon the separation and distribution, the WarnerMedia business met the criteria for discontinued operations. For discontinued operations, we also evaluated transactions that were components of AT&T's single plan of a strategic shift, including dispositions that previously did not individually meet the criteria due to materiality, and have determined discontinued operations to be comprised of WarnerMedia, Vrio, Xandr and Playdemic Ltd. (Playdemic). These businesses are reflected in our historical financial statements as discontinued operations, including for periods prior to the consummation of the WarnerMedia/Discovery transaction.

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, including translation adjustments.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions, including estimates of fair value, probable losses and expenses, that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Moreover, unfavorable changes in market conditions, including interest rates, could adversely impact those estimates and result in asset impairments. Certain prior period amounts have been conformed to the current period's presentation. Unless otherwise noted, the information in Notes 1 through 12 refer only to our continuing operations and do not include discussion of balances or activity of WarnerMedia, Vrio, Xandr and Playdemic, which are part of discontinued operations.

Accounting Policies, Adopted and Pending Accounting Standards and Other Changes

Customer Acquisition and Fulfillment Costs During the first quarter of 2022, we updated our analysis of expected economic lives of customer relationships. As of January 1, 2022, we extended the amortization period for deferred acquisition and fulfillment contract costs within Mobility and broadband/fiber in Consumer Wireline and Business Wireline to better reflect the estimated economic lives of the relationships. These changes in accounting estimate decreased other cost of revenues approximately $80, or $0.01 per diluted share from continuing operations in the third quarter and $335, or $0.03 per diluted share from continuing operations for the first nine months of 2022.

Fiber Network Assets During the first quarter of 2022, we updated our analysis of economic lives of AT&T owned fiber network assets. As of January 1, 2022, we extended the estimated economic life and depreciation period of such costs to better reflect the physical life of the assets that we had been experiencing and absence of technological changes that would replace fiber as the best broadband technology in the industry. The change in accounting estimate decreased depreciation expense $70, or $0.01 per diluted share from continuing operations in the third quarter and $210, or $0.02 per diluted share from continuing operations for the first nine months of 2022.

Convertible Instruments As of January 1, 2022, we adopted, through retrospective application, Accounting Standards Update (ASU) No. 2020-06, "Debt—Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" (ASU 2020-06). ASU 2020-06 requires that instruments which may be settled in cash or stock are presumed settled in stock in calculating diluted earnings per share. While our intent is to settle the Series A Cumulative Perpetual Membership Interests in AT&T Mobility II LLC (Mobility preferred interests) in cash, the ability to settle this instrument in AT&T shares will result in additional dilutive impact, the magnitude of which is influenced by the fair value of the Mobility II preferred interests and the average AT&T common stock price during the reporting period, which could vary from period-to-period.

The following table presents the impact of the adoption of ASU 2020-06 on our diluted earnings per share from continuing operations:

	Historical Accounting Method	Effect of Adoption of ASU 2020-06[1]	Under ASU 2020-06
Diluted earnings per share from continuing operations:			
Three months ended September 30, 2022	**$ 0.82**	**$ (0.03)**	**$ 0.79**
Three months ended September 30, 2021	$ 0.64	$ (0.01)	$ 0.63
Nine months ended September 30, 2022	**$ 2.08**	**$ (0.05)**	**$ 2.03**
Nine months ended September 30, 2021	$ 2.40	$ (0.03)	$ 2.37

[1] See Note 2 for a discussion of the numerator and denominator adjustments.

Government Assistance The Financial Accounting Standards Board (FASB) issued ASU No, 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance" (ASU 2021-10), which requires annual disclosures, beginning with the 2022 Annual Report on Form 10-K, in the notes to the financial statements, about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other guidance. The annual disclosures include terms and conditions, accounting treatment and impacted financial statement lines reflecting the impact of the transactions. ASU 2021-10 will be effective for annual reporting periods beginning after December 15, 2021, which we plan to adopt under prospective application for all in scope government transactions in the financial statements as of our adoption date or thereafter.

Supplier Finance Obligations In September 2022, the FASB issued ASU No. 2022-04, "Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations" (ASU 2022-04), which establishes interim and annual reporting disclosure requirements about a company's supplier finance programs for its purchase of goods and services. Interim and annual requirements include disclosure of outstanding amounts under the obligations as of the end of the reporting period, and annual requirements include a rollforward of those obligations for the annual reporting period, as well as a description of payment and other key terms of the programs. ASU 2022-04 will be effective for interim and annual periods beginning after December 15, 2022, with retrospective application, except for the annual rollforward requirement, which becomes effective for annual periods beginning after December 15, 2023, with prospective application. The standard allows early adoption of all requirements. In the year of adoption, the disclosure of payment and other key terms under the programs and outstanding balances under the obligations will also apply to interim reporting dates. We are in the process of evaluating the impact of our adoption of ASU 2022-04.

Subsequent Event

Mobility II Preferred Interests On October 24, 2022, approximately 105 million Mobility preferred interests of the 319 million outstanding were put to AT&T by a third-party investor. We paid approximately $2,600 cash to redeem the Mobility preferred interest, funded with commercial paper borrowings. As of October 31, 2022, we have approximately 213 million Mobility preferred interests outstanding, which have a redemption value of approximately $5,300 and pay cash distributions of $373 per annum, subject to declaration. Under the terms of the Mobility preferred interests, holders can put no more than 107 million interests in any 12-month period. As a result, future puts can be exercised in the fourth quarter of 2023, at the earliest.

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

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, 2022 and 2021, is shown in the table below:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Numerators				
Numerator for basic earnings per share:				
Income from continuing operations, net of tax	**$ 6,346**	$ 5,019	**$ 16,246**	$ 18,574
Net income from continuing operations attributable to noncontrolling interests	**(373)**	(356)	**(1,107)**	(1,137)
Preferred Stock Dividends	**(49)**	(50)	**(149)**	(156)
Income from continuing operations attributable to common stock	**5,924**	4,613	**14,990**	17,281
Income (loss) from discontinued operations, net of tax	**53**	1,254	**(146)**	(2,485)
Net (income) loss from discontinued operations attributable to noncontrolling interests	**—**	1	**—**	86
Income (loss) from discontinued operations attributable to common stock	**53**	1,255	**(146)**	(2,399)
Net Income Attributable to Common Stock	**$ 5,977**	$ 5,868	**$ 14,844**	$ 14,882
Dilutive potential common shares:				
Mobility II preferred interests	**139**	140	**419**	420
Share-based payment	**4**	6	**13**	17
Numerator for diluted earnings per share	**$ 6,120**	$ 6,014	**$ 15,276**	$ 15,319
Denominators (000,000)				
Denominator for basic earnings per share:				
Weighted average number of common shares outstanding	**7,153**	7,171	**7,169**	7,167
Dilutive potential common shares:				
Mobility II preferred interests (in shares)	**446**	304	**394**	294
Share-based payment (in shares)	**48**	31	**42**	30
Denominator for diluted earnings per share	**7,647**	7,506	**7,605**	7,491

Upon the adoption of ASU 2020-06 in the first quarter of 2022, the ability to settle our Mobility II preferred interests in stock is reflected in our diluted earnings per share calculation. While our intent is to settle the Mobility II preferred interests in cash, the ability to settle this instrument in AT&T shares will result in additional dilutive impact, the magnitude of which is influenced by the fair value of the Mobility II preferred interests and the average AT&T common stock price during the reporting period, which could vary from period-to-period. The numerator includes an adjustment to add back to income the earned distributions on the Mobility II preferred interests, included in net income attributable to noncontrolling interest, and the denominator includes the potential issuance of AT&T common stock to settle the Mobility II preferred interests outstanding. (See Note 1)

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, 2021	$ (1,964)	$ 45	$ (1,422)	$ 6,870	$ 3,529
Other comprehensive income (loss) before reclassifications	160	(152)	(885)	1,787	910
Amounts reclassified from accumulated OCI	— [1]	7 [1]	85 [2]	(1,477) [3]	(1,385)
Distribution of WarnerMedia	(182)	—	(24)	25	(181)
Net other comprehensive income (loss)	(22)	(145)	(824)	335	(656)
Balance as of September 30, 2022	**$ (1,986)**	**$ (100)**	**$ (2,246)**	**$ 7,205**	**$ 2,873**

	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

[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 have two reportable segments: Communications and Latin America.

We also evaluate segment and business unit performance based on EBITDA and/or EBITDA margin, which is defined as operating income excluding depreciation and amortization. EBITDA is used as part of our management reporting and we believe EBITDA to be a relevant and useful measurement to our investors as it measures the cash generation potential of our business units. EBITDA does not give effect to depreciation and amortization expenses incurred in operating income 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 2022, we reclassified into "Corporate" certain administrative costs borne by AT&T where the business units do not influence decision making to conform with the current period presentation. This recast increased Corporate operations and support expenses by approximately $270 for full-year 2021. Correspondingly, this recast lowered administrative expenses at AT&T's Communications operations and Video (our former U.S. video operations contributed to DIRECTV Entertainment Holdings, LLC (DIRECTV) in July 2021), with no change on a consolidated basis.

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 ethernet-based fiber services, IP Voice and managed professional services, as well as traditional voice and data services and related equipment to business customers.
- **Consumer Wireline** provides broadband services, including fiber connections that now provide our multi-gig services to residential customers. Consumer Wireline also provides legacy telephony voice communication services.

The ***Latin America segment*** provides wireless services and equipment in Mexico.

Corporate and Other reconciles our segment results to consolidated operating income and income before income taxes.

Corporate includes*:*

- *DTV-related retained costs*, which are costs previously allocated to the Video business that were retained after the transaction, net of reimbursements from DIRECTV under transition service agreements.
- *Parent administration support*, which includes costs borne by AT&T where the business units do not influence decision making.
- *Securitization fees* associated with our sales of receivables (see Note 9).
- *Value portfolio*, which are businesses no longer integral to our operations or which we no longer actively market.

Other items consist of*:*

- *Video,* which includes our former U.S. video operations that were contributed to DIRECTV on July 31, 2021, and our share of DIRECTV's earnings as equity in net income of affiliates (see Note 11).
- *Held-for-sale and other reclassifications,* which includes our former Crunchyroll and Government Solutions operations.
- *Reclassification of prior service credits,* which includes the reclassification of prior service credit amortization, where we present the impact of benefit plan amendments in our business unit results. Prior service credit amortization is presented in "Other Income (Expense) - Net" in the consolidated statements of income and therefore has no impact on consolidated operating income or EBITDA.
- *Merger & Significant Items*, which includes items associated with the merger and integration of acquired or divested businesses, including amortization of intangible assets, employee separation charges associated with voluntary and/or strategic offers, asset impairments and abandonments, and other items for which the segments are not being evaluated.
- *Eliminations and consolidations*, removed transactions involving dealings between Mobility and our Video business, prior to the July 31, 2021 separation of Video.

"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, 2022

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)
Communications					
Mobility	**$ 20,278**	**$ 11,817**	**$ 8,461**	**$ 2,042**	**$ 6,419**
Business Wireline	**5,668**	**3,444**	**2,224**	**1,342**	**882**
Consumer Wireline	**3,185**	**2,055**	**1,130**	**800**	**330**
Total Communications	**29,131**	**17,316**	**11,815**	**4,184**	**7,631**
Latin America - Mexico	**785**	**684**	**101**	**164**	**(63)**
Segment Total	**29,916**	**18,000**	**11,916**	**4,348**	**7,568**
Corporate and Other					
Corporate:					
DTV-related retained costs	**—**	**197**	**(197)**	**139**	**(336)**
Parent administration support	**(6)**	**266**	**(272)**	**2**	**(274)**
Securitization fees	**15**	**103**	**(88)**	**—**	**(88)**
Value portfolio	**118**	**32**	**86**	**9**	**77**
Total Corporate	**127**	**598**	**(471)**	**150**	**(621)**
Reclassification of prior service credits	**—**	**731**	**(731)**	**—**	**(731)**
Merger & Significant Items	**—**	**188**	**(188)**	**16**	**(204)**
Total Corporate and Other	**127**	**1,517**	**(1,390)**	**166**	**(1,556)**
AT&T Inc.	**$ 30,043**	**$ 19,517**	**$ 10,526**	**$ 4,514**	**$ 6,012**

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)
Communications					
Mobility	$ 19,138	$ 11,116	$ 8,022	$ 2,035	$ 5,987
Business Wireline	5,938	3,632	2,306	1,304	1,002
Consumer Wireline	3,142	2,188	954	775	179
Total Communications	28,218	16,936	11,282	4,114	7,168
Latin America - Mexico	724	697	27	157	(130)
Segment Total	28,942	17,633	11,309	4,271	7,038
Corporate and Other					
Corporate:					
DTV-related retained costs	20	69	(49)	92	(141)
Parent administration support	—	360	(360)	12	(372)
Securitization fees	16	1	15	—	15
Value portfolio	152	46	106	10	96
Total Corporate	188	476	(288)	114	(402)
Video	2,149	1,731	418	44	374
Held-for-sale and other reclassifications	64	31	33	—	33
Reclassification of prior service credits	—	670	(670)	—	(670)
Merger & Significant Items	—	108	(108)	28	(136)
Eliminations and consolidations	(17)	(17)	—	—	—
Total Corporate and Other	2,384	2,999	(615)	186	(801)
AT&T Inc.	$ 31,326	$ 20,632	$ 10,694	$ 4,457	$ 6,237

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

For the nine months ended September 30, 2022

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)
Communications					
Mobility	**$ 60,279**	**$ 35,677**	**$ 24,602**	**$ 6,118**	**$ 18,484**
Business Wireline	**16,903**	**10,498**	**6,405**	**3,954**	**2,451**
Consumer Wireline	**9,520**	**6,218**	**3,302**	**2,351**	**951**
Total Communications	**86,702**	**52,393**	**34,309**	**12,423**	**21,886**
Latin America - Mexico	**2,283**	**2,036**	**247**	**494**	**(247)**
Segment Total	**88,985**	**54,429**	**34,556**	**12,917**	**21,639**
Corporate and Other					
Corporate:					
DTV-related retained costs	**8**	**532**	**(524)**	**408**	**(932)**
Parent administration support	**(24)**	**873**	**(897)**	**12**	**(909)**
Securitization fees	**48**	**263**	**(215)**	**—**	**(215)**
Value portfolio	**381**	**106**	**275**	**29**	**246**
Total Corporate	**413**	**1,774**	**(1,361)**	**449**	**(1,810)**
Reclassification of prior service credits	**—**	**1,961**	**(1,961)**	**—**	**(1,961)**
Merger & Significant Items	**—**	**1,303**	**(1,303)**	**60**	**(1,363)**
Total Corporate and Other	**413**	**5,038**	**(4,625)**	**509**	**(5,134)**
AT&T Inc.	**$ 89,398**	**$ 59,467**	**$ 29,931**	**$ 13,426**	**$ 16,505**

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)
Communications					
Mobility	$ 57,108	$ 32,998	$ 24,110	$ 6,072	$ 18,038
Business Wireline	18,036	11,010	7,026	3,875	3,151
Consumer Wireline	9,380	6,280	3,100	2,306	794
Total Communications	84,524	50,288	34,236	12,253	21,983
Latin America - Mexico	2,043	1,984	59	452	(393)
Segment Total	86,567	52,272	34,295	12,705	21,590
Corporate and Other					
Corporate:					
DTV-related retained costs	20	69	(49)	92	(141)
Parent administration support	(12)	1,147	(1,159)	27	(1,186)
Securitization fees	44	53	(9)	—	(9)
Value portfolio	494	161	333	30	303
Total Corporate	546	1,430	(884)	149	(1,033)
Video	15,513	12,666	2,847	356	2,491
Held-for-sale and other reclassifications	453	306	147	—	147
Reclassification of prior service credits	—	2,011	(2,011)	—	(2,011)
Merger & Significant Items	—	39	(39)	142	(181)
Eliminations and consolidations	(136)	(136)	—	—	—
Total Corporate and Other	16,376	16,316	60	647	(587)
AT&T Inc.	$ 102,943	$ 68,588	$ 34,355	$ 13,352	$ 21,003

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

The following table is a reconciliation of Segment Operating Income to "Income from Continuing Operations Before Income Taxes" reported in our consolidated statements of income:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Communications	**$ 7,631**	$ 7,168	**$ 21,886**	$ 21,983
Latin America	**(63)**	(130)	**(247)**	(393)
Segment Operating Income	**7,568**	7,038	**21,639**	21,590
Reconciling Items:				
Corporate	**(621)**	(402)	**(1,810)**	(1,033)
Video	**—**	374	**—**	2,491
Held-for-sale and other reclassifications	**—**	33	**—**	147
Transaction and other costs	**(58)**	(8)	**(341)**	(43)
Amortization of intangibles acquired	**(16)**	(28)	**(60)**	(142)
Asset impairments and abandonments and restructuring	**(114)**	(105)	**(745)**	(105)
Benefit-related gains (losses), and other employee-related costs	**(16)**	5	**(217)**	109
Reclassification of prior service credits	**(731)**	(670)	**(1,961)**	(2,011)
AT&T Operating Income	**6,012**	6,237	**16,505**	21,003
Interest Expense	**1,420**	1,627	**4,548**	5,090
Equity in net income (loss) of affiliates	**392**	183	**1,417**	159
Other income (expense) — net	**2,270**	1,522	**6,729**	6,958
Income from Continuing Operations Before Income Taxes	**$ 7,254**	$ 6,315	**$ 20,103**	$ 23,030

NOTE 5. REVENUE RECOGNITION

Revenue Categories
The following tables set forth reported revenue by category and by business unit:

For the three months ended September 30, 2022

	Communications						
	Mobility	Business Wireline	Consumer Wireline	Latin America	Corporate & Other	Elim.	Total
Wireless service	**$ 15,256**	**$ —**	**$ —**	**$ 559**	**$ 4**	**$ —**	**$ 15,819**
Video service	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Business service	**—**	**5,524**	**—**	**—**	**—**	**—**	**5,524**
Broadband	**—**	**—**	**2,429**	**—**	**—**	**—**	**2,429**
Advertising	**81**	**—**	**—**	**—**	**—**	**—**	**81**
Legacy voice and data	**—**	**—**	**427**	**—**	**87**	**—**	**514**
Other	**—**	**—**	**329**	**—**	**35**	**—**	**364**
Total Service	**15,337**	**5,524**	**3,185**	**559**	**126**	**—**	**24,731**
Equipment	**4,941**	**144**	**—**	**226**	**1**	**—**	**5,312**
Total	**$ 20,278**	**$ 5,668**	**$ 3,185**	**$ 785**	**$ 127**	**$ —**	**$ 30,043**

For the three months ended September 30, 2021

	Communications						
	Mobility	Business Wireline	Consumer Wireline	Latin America	Corporate & Other	Elim.	Total
Wireless service	$ 14,450	$ —	$ —	$ 463	$ 29	$ —	$ 14,942
Video service	—	—	—	—	2,132	—	2,132
Business service	—	5,765	—	—	—	—	5,765
Broadband	—	—	2,290	—	—	—	2,290
Advertising	77	—	—	—	17	(17)	77
Legacy voice and data	—	—	484	—	98	—	582
Other	—	—	351	—	108	—	459
Total Service	14,527	5,765	3,125	463	2,384	(17)	26,247
Equipment	4,611	173	17	261	17	—	5,079
Total	$ 19,138	$ 5,938	$ 3,142	$ 724	$ 2,401	$ (17)	$ 31,326

For the nine months ended September 30, 2022

	Communications						
	Mobility	Business Wireline	Consumer Wireline	Latin America	Corporate & Other	Elim.	Total
Wireless service	**$ 44,825**	**$ —**	**$ —**	**$ 1,583**	**$ 23**	**$ —**	**$ 46,431**
Video service	—	—	—	—	—	—	—
Business service	**—**	**16,418**	**—**	**—**	**—**	**—**	**16,418**
Broadband	—	—	**7,177**	—	—	—	**7,177**
Advertising	**240**	**—**	**—**	**—**	**—**	**—**	**240**
Legacy voice and data	—	—	**1,332**	—	**242**	—	**1,574**
Other	**—**	**—**	**1,011**	**—**	**147**	**—**	**1,158**
Total Service	**45,065**	**16,418**	**9,520**	**1,583**	**412**	**—**	**72,998**
Equipment	**15,214**	**485**	**—**	**700**	**1**	**—**	**16,400**
Total	**$ 60,279**	**$ 16,903**	**$ 9,520**	**$ 2,283**	**$ 413**	**$ —**	**$ 89,398**

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	Latin America	Corporate & Other	Elim.	Total
Wireless service	$ 42,667	$ —	$ —	$ 1,349	$ 66	$ —	$ 44,082
Video service	—	—	—		15,423	—	15,423
Business service	—	17,497	—	—	70	—	17,567
Broadband	—	—	6,761	—	—	—	6,761
Advertising	254	—	—	—	136	(136)	254
Legacy voice and data	—	—	1,507	—	334	—	1,841
Other	—	—	1,019	—	393	—	1,412
Total Service	42,921	17,497	9,287	1,349	16,422	(136)	87,340
Equipment	14,187	539	93	694	90	—	15,603
Total	$ 57,108	$ 18,036	$ 9,380	$ 2,043	$ 16,512	$ (136)	$ 102,943

Deferred Customer Contract Acquisition and Fulfillment Costs
Costs to acquire and fulfill customer contracts, including commissions on service activations, for our wireless, business wireline, and consumer wireline services, are deferred and amortized over the contract period or expected customer relationship life, which typically ranges from three years to five years.

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

Consolidated Balance Sheets	**September 30, 2022**	December 31, 2021
Deferred Acquisition Costs		
Prepaid and other current assets	**$ 2,772**	$ 2,551
Other Assets	**3,790**	3,247
Total deferred customer contract acquisition costs	**$ 6,562**	$ 5,798
Deferred Fulfillment Costs		
Prepaid and other current assets	**$ 2,489**	$ 2,600
Other Assets	**4,252**	4,148
Total deferred customer contract fulfillment costs	**$ 6,741**	$ 6,748

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, 2022**	September 30, 2021[1]
Deferred acquisition cost amortization	**$ 2,138**	$ 2,266
Deferred fulfillment cost amortization	**2,000**	3,285

[1] Includes deferred acquisition amortization of $409 and deferred fulfillment cost amortization of $1,162 from our separated Video business for the nine months ended September 30, 2021.

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, 2022**	December 31, 2021
Contract asset	**$ 5,047**	$ 4,389
Current portion in "Prepaid and other current assets"	**2,827**	2,582
Contract liability	**3,938**	4,133
Current portion in "Advanced billings and customer deposits"	**3,597**	3,766

Our contract asset balances for the quarter ended September 30, 2022 and December 31, 2021 reflect increased promotional equipment sales in our wireless business. We expect the amortization of these promotional costs to increase throughout 2022 and the contract asset to flatten in 2023.

Our beginning of period contract liability recorded as customer contract revenue during 2022 was $3,527.

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 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 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, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was $34,309, of which we expect to recognize approximately 70% by the end of 2023, 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 2022.

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 2022, requiring us to follow settlement accounting and remeasure our pension benefit plan assets and obligations at each quarter-end in 2022. These remeasurements resulted in the recognition of an actuarial gain of $216 in the third quarter and $2,573 for the first nine months of 2022. Similar to 2022, in 2021, we were required to follow settlement accounting and remeasure our pension benefit plan assets and obligations at each quarter end.

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During the third quarter of 2022, we committed to, and reflected in our results, plan changes impacting postretirement health and welfare benefits. This plan change reduced our postretirement benefit obligation approximately $2,400 and aligns our benefit plans to market level. In conjunction with this plan change, we also remeasured the postretirement plan assets and liabilities as of July 1, 2022, and recognized an actuarial gain of $1,084.

As part of our 2022 remeasurements, we updated the weighted-average discount rates used to measure our pension and postretirement benefit obligations as summarized in the table below.

	Pension Benefits				Postretirement Benefits	
	Dec. 31, 2021	Mar. 31, 2022	Jun. 30, 2022	Sep. 30, 2022	Dec. 31, 2021	Jul. 1, 2022
Weighted-average discount rate for determining benefit obligation	3.00 %	3.70 %	4.80 %	5.50 %	2.80 %	4.70 %
Discount rate in effect for determining service cost, for period beginning	3.20 %	3.80 %	4.90 %	5.50 %	3.10 %	4.90 %
Discount rate in effect for determining interest cost, for period beginning	2.30 %	3.40 %	4.40 %	5.30 %	2.10 %	4.20 %
Expected long-term rate of return on plan assets (annual rate)	6.75 %				4.50 %	
Actual return on plan assets (YTD rate)		(5.20 %)	(11.30 %)	(15.40 %)		(12.20 %)

The following table details qualified 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,	
	2022	2021	**2022**	2021
Pension cost:				
Service cost – benefits earned during the period	**$ 141**	$ 241	**$ 488**	$ 723
Interest cost on projected benefit obligation	**481**	321	**1,216**	951
Expected return on assets	**(740)**	(890)	**(2,410)**	(2,617)
Amortization of prior service credit	**(33)**	(36)	**(100)**	(108)
Net pension (credit) cost before remeasurement	**(151)**	(364)	**(806)**	(1,051)
Actuarial (gain) loss	**(216)**	(374)	**(2,573)**	(3,021)
Net pension (credit) cost	**$ (367)**	$ (738)	**$ (3,379)**	$ (4,072)
Postretirement cost:				
Service cost – benefits earned during the period	**$ 7**	$ 11	**$ 25**	$ 34
Interest cost on accumulated postretirement benefit obligation	**75**	53	**201**	158
Expected return on assets	**(23)**	(38)	**(88)**	(114)
Amortization of prior service credit	**(697)**	(634)	**(1,861)**	(1,903)
Net postretirement (credit) cost before remeasurement	**(638)**	(608)	**(1,723)**	(1,825)
Actuarial (gain) loss	**(1,084)**	—	**(1,084)**	—
Net postretirement (credit) cost	**$ (1,722)**	$ (608)	**$ (2,807)**	$ (1,825)
Combined net pension and postretirement (credit) cost	**$ (2,089)**	$ (1,346)	**$ (6,186)**	$ (5,897)

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 $13 and $12 in the third quarter and $37 and $35 for the first nine months of 2022 and 2021, respectively. Actuarial gains were $140 in the third quarter and $181 for the first nine months of 2022.

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, 2021.

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, 2022		December 31, 2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Notes and debentures[1]	**$ 129,688**	**$ 116,586**	$ 167,475	$ 193,068
Commercial paper	**2,161**	**2,161**	6,586	6,586
Investment securities[2]	**2,595**	**2,595**	3,214	3,214

[1] Includes credit agreement borrowings. Excludes note payable to DIRECTV.

[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.

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Following is the fair value leveling for investment securities that are measured at fair value and derivatives as of September 30, 2022 and December 31, 2021. 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, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity Securities				
Domestic equities	**$ 912**	**$ —**	**$ —**	**$ 912**
International equities	**178**	**—**	**—**	**178**
Fixed income equities	**185**	**—**	**—**	**185**
Available-for-Sale Debt Securities	**—**	**1,142**	**—**	**1,142**
Liability Derivatives				
Cross-currency swaps	**—**	**(8,882)**	**—**	**(8,882)**
Foreign exchange contracts	**—**	**(69)**	**—**	**(69)**

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Equity Securities				
Domestic equities	$ 1,213	$ —	$ —	$ 1,213
International equities	221	—	—	221
Fixed income equities	219	—	—	219
Available-for-Sale Debt Securities	—	1,380	—	1,380
Asset Derivatives				
Cross-currency swaps	—	211	—	211
Liability Derivatives				
Cross-currency swaps	—	(3,170)	—	(3,170)

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,	
	2022	2021	**2022**	2021
Total gains (losses) recognized on equity securities	**$ (79)**	$ 9	**$ (411)**	$ 151
Gains (Losses) recognized on equity securities sold	**(8)**	(2)	**(56)**	(2)
Unrealized gains (losses) recognized on equity securities held at end of period	**$ (71)**	$ 11	**$ (355)**	$ 153

At September 30, 2022, available-for-sale debt securities totaling $1,142 have maturities as follows - less than one year: $71; one to three years: $140; three to five years: $187; five or more years: $744.

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 and foreign exchange contracts 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 cross-currency hedges, we have elected to exclude the change in fair value of the swap related to both time value and cross-currency basis spread from the assessment of hedge effectiveness. For foreign exchange contracts, we have elected to exclude the change in fair value of forward points 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 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, 2022 and 2021, no ineffectiveness was measured on fair value hedges.

Cash Flow Hedging We designated most of our cross-currency swaps as cash flow hedges through September 30, 2022. 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.

On September 30, 2022, we de-designated most of our cross-currency swaps from cash flow hedges and re-designated these swaps as fair value hedges. The amount remaining in accumulated other comprehensive loss amounting to $1,857 related to cash flow hedges on the de-designation date will be reclassified to earnings when the hedged item is recognized in earnings or when it becomes probable that the forecasted transactions will not occur. Existing cross-currency swaps with a maturity of less than 12 months will retain their cash flow hedge designation. The election of fair value hedge designation for cross-currency swaps does not have an impact on our financial results.

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.

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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 $59 from accumulated OCI to "Interest expense" due to the amortization of net losses on historical interest rate locks.

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, 2022, we had posted collateral of $1,767 (a deposit asset) and held collateral of $0 (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 $23. 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 $7,811. At December 31, 2021, we had posted collateral of $135 (a deposit asset) and held collateral of $7 (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, 2022	December 31, 2021
Cross-currency swaps	**$ 38,213**	$ 40,737
Foreign exchange contracts	**617**	—
Total	**$ 38,830**	$ 40,737

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	**2022**	2021	**2022**	2021
Interest rate swaps (Interest expense):				
Gain (Loss) on interest rate swaps	**$ (1)**	$ (1)	**$ (3)**	$ (3)
Gain (Loss) on long-term debt	**1**	1	**3**	3
Cross-currency swaps:				
Gain (Loss) on cross-currency swaps	**(52)**	(34)	**7**	(66)
Gain (Loss) on long-term debt	**52**	34	**(7)**	66
Gain (Loss) recognized in accumulated OCI	**12**	2	**(48)**	3
Foreign exchange contracts:				
Gain (Loss) on foreign exchange contracts	**(37)**	—	**(60)**	—
Gain (Loss) on long-term debt	**37**	—	**60**	—
Gain (Loss) recognized in accumulated OCI	**(5)**	—	**(9)**	—

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:

Cash Flow Hedging Relationships	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cross-currency swaps:				
Gain (Loss) recognized in accumulated OCI	**$ (690)**	$ (237)	**$ (1,077)**	$ (742)
Foreign exchange contracts:				
Gain (Loss) recognized in accumulated OCI	**—**	(14)	**3**	(14)
Other income (expense) - net reclassified from accumulated OCI into income	**—**	7	**1**	(3)
Interest rate locks:				
Interest income (expense) reclassified from accumulated OCI into income	**(15)**	(22)	**(51)**	(70)
Other income (expense) reclassified from accumulated OCI into income	**—**	—	**(45)**	—
Distribution of WarnerMedia	**—**	—	**(12)**	—

NOTE 8. ACQUISITIONS, DISPOSITIONS AND OTHER ADJUSTMENTS

Acquisitions

Spectrum Auction On January 14, 2022, the Federal Communications Commission (FCC) announced that we were the winning bidder for 1,624 3.45 GHz licenses in Auction 110. We provided the FCC with an upfront deposit of $123 in the third quarter of 2021 and paid the remaining $8,956 in the first quarter of 2022, for a total of $9,079. We funded the purchase price using cash and short-term investments. We received the licenses in May 2022 and classified the auction deposits and related capitalized interest as “Licenses - Net” on our September 30, 2022 consolidated balance sheet.

In February 2021, the FCC announced that we were the winning bidder for 1,621 C-Band licenses. We provided 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. The licenses were received in July 2021. In the third quarter of 2022, we paid $98 of compensable relocation costs for a total of $1,703 Incentive Payments and compensable relocation costs paid to date for the C-Band licenses, with $1,605 paid in 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.

Dispositions
WarnerMedia On April 8, 2022, we completed the separation and distribution of our WarnerMedia business, and merger of Spinco, an AT&T subsidiary formed to hold the WarnerMedia business, with a subsidiary of Discovery, Inc., which was renamed Warner Bros. Discovery, Inc (WBD). Each AT&T shareholder was entitled to receive 0.241917 shares of WBD common stock for each share of AT&T common stock held as of the record date, which represented approximately 71% of WBD. In connection with and in accordance with the terms of the Separation and Distribution Agreement (SDA), prior to the distribution and merger, AT&T received approximately $40,400, which includes $38,800 of Spinco cash and $1,600 of debt retained by WarnerMedia. During the second quarter, assets of approximately $121,100 and liabilities of $70,600 were removed from our balance sheet as well as $45,041 of retained earnings and $5,632 of additional paid-in capital associated with the transaction. Additionally, in August 2022, we and WBD finalized the post-closing adjustment, pursuant to section 1.3 of the SDA, which resulted in a $1,200 payment to WBD in the third quarter of 2022. The $1,200 post-closing adjustment was included in the change in additional paid-in capital for the three months ended June 30, 2022, and for balance sheets ended June 30, 2022 and September 30, 2022. (See Note 13)

AT&T, Spinco and Discovery entered into a Tax Matters Agreement, which governs the parties' rights, responsibilities and obligations with respect to tax liabilities and benefits, the preservation of the expected tax-free status of the transactions contemplated by the SDA, and other matters regarding taxes.

Xandr On June 6, 2022, we completed the sale of the marketplace component of Xandr to Microsoft Corporation. Xandr was reflected in our historical financial statements as discontinued operations. (See Note 13)

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 consists of receivables arising from equipment installment plans, which are sold for cash and a deferred purchase price. Under this program, we transfer receivables to purchasers in exchange for cash and additional consideration upon settlement of the receivables. Under the terms of our agreement for this program, we continue to service the transferred receivables on behalf of the financial institutions.

For the nine months ended September 30, 2022, cash flows from operating activities included net cash proceeds received from the sales of receivables of approximately $2,180, comprised of equipment installment receivable sales of $8,598, or approximately $1,540 cash received net of remittances paid, and approximately $640 from other programs. For the nine months ended September 30, 2021, net cash proceeds received from the sales of receivables were approximately $940, comprised of equipment installment receivable sales of $7,231, or approximately $940 cash received net of remittances paid.

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.

The following table sets forth a summary of the equipment installment receivables and accounts being serviced:

	September 30, 2022	December 31, 2021
Gross receivables:	**$ 4,309**	$ 4,361
Balance sheet classification		
Accounts receivable		
Notes receivable	**1,894**	1,846
Trade receivables	**693**	606
Other Assets		
Noncurrent notes and trade receivables	**1,722**	1,909
Outstanding portfolio of receivables derecognized from our consolidated balance sheets	**10,049**	9,767
Cash proceeds received, net of remittances[1]	**8,180**	6,644

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

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

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

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The following table sets forth a summary of equipment installment receivables sold under this program during the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Gross receivables sold	**$ 2,698**	$ 2,123	**$ 8,950**	$ 8,067
Net receivables sold[1]	**2,590**	2,069	**8,623**	7,858
Cash proceeds received	**2,664**	1,981	**8,598**	7,231
Deferred purchase price recorded	**—**	158	**245**	864
Guarantee obligation recorded	**173**	94	**469**	321

[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, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Fair value of repurchased receivables	**$ 1,386**	$ 471	**$ 3,314**	$ 1,094
Carrying value of deferred purchase price	**1,395**	440	**3,335**	1,019
Gain (loss) on repurchases[1]	**$ (9)**	$ 31	**$ (21)**	$ 75

[1] These gains (losses) are included in “Selling, general and administrative” in the consolidated statements of income.

At September 30, 2022 and December 31, 2021, our deferred purchase price receivable was $1,740 and $3,177, respectively, of which $821 and $2,123 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, 2022 and December 31, 2021 was $345 and $371, respectively, of which $64 and $101 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.

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.

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The components of lease expense were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Operating lease cost	**$ 1,368**	$ 1,343	**$ 4,072**	$ 4,021
Finance lease cost:				
Amortization of right-of-use assets	**$ 55**	$ 47	**$ 149**	$ 134
Interest on lease obligation	**39**	38	**120**	108
Total finance lease cost	**$ 94**	$ 85	**$ 269**	$ 242

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

	Nine months ended September 30,	
	2022	2021
Cash Flows from Operating Activities		
Cash paid for amounts included in lease obligations:		
Operating cash flows for operating leases	**$ 3,507**	$ 3,442
Supplemental Lease Cash Flow Disclosures		
Operating lease right-of-use assets obtained in exchange for new operating lease obligations	**2,775**	2,667

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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The following tables set forth supplemental balance sheet information related to leases:

		September 30, 2022		December 31, 2021
Operating Leases				
Operating lease right-of-use assets	**$**	**21,782**	$	21,824
Accounts payable and accrued liabilities	**$**	**3,468**	$	3,393
Operating lease obligation		**18,741**		18,956
Total operating lease obligation	**$**	**22,209**	$	22,349
Finance Leases				
Property, plant and equipment, at cost	**$**	**2,612**	$	2,494
Accumulated depreciation and amortization		**(1,141)**		(1,053)
Property, plant and equipment, net	**$**	**1,471**	$	1,441
Current portion of long-term debt	**$**	**155**	$	127
Long-term debt		**1,476**		1,442
Total finance lease obligation	**$**	**1,631**	$	1,569

	September 30,	
	2022	2021
Weighted-Average Remaining Lease Term (years)		
Operating leases	**8.1**	8.2
Finance leases	**7.9**	9.0
Weighted-Average Discount Rate		
Operating leases	**3.6 %**	3.7 %
Finance leases	**7.9 %**	8.3 %

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

At September 30, 2022		**Operating Leases**		**Finance Leases**
Remainder of 2022	**$**	**1,162**	**$**	**70**
2023		**4,486**		**279**
2024		**4,062**		**270**
2025		**3,413**		**274**
2026		**2,703**		**253**
Thereafter		**10,539**		**1,136**
Total lease payments		**26,365**		**2,282**
Less: imputed interest		**(4,156)**		**(651)**
Total	**$**	**22,209**	**$**	**1,631**

NOTE 11. TRANSACTIONS WITH DIRECTV

On July 31, 2021, we closed our transaction with TPG to form a new company named DIRECTV. The transaction resulted in our deconsolidation of the Video business. 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. Effective August 1, 2021, we began accounting for our investment in DIRECTV under the equity method and recorded our share of DIRECTV earnings as equity in net income of affiliates, with DIRECTV considered a related party.

For the nine months ended September 30, 2022, our share of DIRECTV's earnings included in equity in net income of affiliates was $1,429. Cash distributions from DIRECTV for the first nine months totaled $3,634, with $1,429 classified as operating activities and $2,205 classified as investing activities in our consolidated statement of cash flows. Our investment in DIRECTV at September 30, 2022 was $3,352.

In addition to the assets and liabilities contributed to DIRECTV, at close 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. During the first nine months of 2022, cash payments to DIRECTV on the note totaled $1,070 and were classified as financing activities in our consolidated statement of cash flows. Amounts due under the DIRECTV note were $271 at September 30, 2022.

We also provide DIRECTV with network transport for U-verse products and sales services under commercial arrangements for up to five years. 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 nine months ended September 30, 2022, we billed DIRECTV approximately $920 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 $197 in the third quarter and $532 for the first nine months of 2022.

At September 30, 2022, we had accounts receivable from DIRECTV of $571 and accounts payable to DIRECTV of $210.

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,	
	2022	2021	2021	2020
Cash and cash equivalents from continuing operations	**$ 2,423**	$ 18,485	$ 19,223	$ 7,924
Cash and cash equivalents from discontinued operations	**—**	2,785	1,946	1,816
Restricted cash in Prepaid and other current assets	**1**	2	3	9
Restricted cash in Other Assets	**70**	133	144	121
Cash and Cash Equivalents and Restricted Cash	**$ 2,494**	$ 21,405	$ 21,316	$ 9,870

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

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

Cash paid (received) during the period for:	Nine months ended September 30, 2022	2021
Interest	**$ 5,981**	$ 5,931
Income taxes, net of refunds	**400**	215

The following table summarizes capital expenditures:

	Nine months ended September 30, 2022	2021
Purchase of property and equipment	**$ 15,273**	$ 11,919
Interest during construction - capital expenditures[1]	**124**	132
Total Capital Expenditures	**$ 15,397**	$ 12,051

The following table summarizes acquisitions, net of cash acquired:

	Nine months ended September 30, 2022	2021
Business acquisitions	**$ —**	$ —
Spectrum acquisitions	**9,076**	23,017
Interest during construction - spectrum[1]	**883**	516
Total Acquisitions	**$ 9,959**	$ 23,533

[1] Total capitalized interest was $1,007 and $648 for the nine months ended September 30, 2022 and 2021, respectively.

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, 2022 and 2021, we recorded vendor financing commitments related to capital investments of approximately $3,916 and $3,624, respectively.

Total vendor financing payables included in our September 30, 2022 consolidated balance sheet were approximately $4,635, with $3,105 due within one year (in “Accounts payable and accrued liabilities”) and the remainder predominantly due within two to five years (in “Other noncurrent liabilities”).

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

Debt Transactions At September 30, 2022, our debt obligations totaled $133,480. Our debt activity primarily consisted of the following:

	First Quarter	Second Quarter	Third Quarter	Nine months ended September 30, 2022
Net commercial paper borrowings	$ 1,471	$ (5,219)	$ (724)	$ (4,472)
Issuance of Notes and Debentures:				
Private financing	$ —	$ —	$ 750	$ 750
Other	479	—	—	479
Debt Issuances	$ 479	$ —	$ 750	$ 1,229
Repayments:				
2021 Syndicated Term Loan	$ —	$ (7,350)	$ —	$ (7,350)
BAML Bilateral Term Loan – Tranche A	—	(1,000)	—	(1,000)
Private financing	—	(750)	—	(750)
Repayment of other short-term borrowings	$ —	$ (9,100)	$ —	$ (9,100)
USD notes[1,2,3]	$ (123)	$ (18,957)	$ —	$ (19,080)
Euro notes	—	(3,343)	—	(3,343)
BAML Bilateral Term Loan – Tranche B	—	(1,000)	—	(1,000)
Other	(667)	(123)	(199)	(989)
Repayments of long-term debt	$ (790)	$ (23,423)	$ (199)	$ (24,412)

1 On March 31, 2022, we issued a notice for the redemption in full of all of the outstanding $1,962 aggregate principal amount of 3.000% Global Notes due June 30, 2022. We redeemed the notes on April 30, 2022 at 100% of the principal amount.

2 On April 11, 2022, we issued notices for the redemption in full of all of the outstanding approximately $9,042 aggregate principal amount of various global notes due 2022 to 2026 with coupon rates ranging from 2.625% to 4.450% (Make-Whole Notes). The Make-Whole Notes were redeemed on the redemption dates set forth in the notices of redemption, at "make whole" redemption prices calculated as set forth in the respective redemption notices in the second quarter.

3 Includes $7,954 of cash paid toward the $8,822 aggregate principal amount of various notes that were tendered for cash in May 2022. The notes had interest rates ranging between 3.100% and 8.750% and original maturities ranging from 2026 to 2061.

NOTE 13. DISCONTINUED OPERATIONS

Upon the separation and distribution, the WarnerMedia business met the criteria for discontinued operations. For discontinued operations, we also evaluated transactions completed that were components of AT&T's single plan of a strategic shift, including dispositions that previously did not individually meet the criteria due to materiality, and have determined discontinued operations to be comprised of WarnerMedia, Vrio, Xandr and Playdemic.

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

The following is a summary of operating results included in income (loss) from discontinued operations for the third quarter and nine months ended September 30:

	Three months ended September 30,		Nine months ended September 30,	
	2022[1]	2021	**2022**	2021
Revenues	**$ 4**	$ 8,596	**$ 9,454**	$ 24,963
Operating Expenses				
Cost of revenues	**1**	4,392	**5,481**	13,830
Selling, general and administrative	**10**	2,113	**2,789**	5,649
Asset abandonments and impairments	**—**	57	**—**	4,612
Depreciation and amortization	**1**	1,163	**1,173**	3,837
Total operating expenses	**12**	7,725	**9,443**	27,928
Interest expense	**—**	40	**131**	131
Equity in net income (loss) of affiliates	**—**	(93)	**(27)**	25
Other income (expense) – net[2]	**71**	757	**(68)**	541
Total other income (expense)	**71**	624	**(226)**	435
Income (Loss) before income taxes	**63**	1,495	**(215)**	(2,530)
Income tax expense (benefit)	**10**	241	**(69)**	(45)
Net income (loss) from discontinued operations	**$ 53**	$ 1,254	**$ (146)**	$ (2,485)

[1] Includes results from WarnerMedia operations in Mexico that were subject to regulatory approval that transferred in September 2022.

[2] "Other income (expense) - net" includes a gain from post-closing adjustment related to the sale of the marketplace component of Xandr in the three and nine months ended September 30, 2022, and a gain of $766 from the sale of Playdemic for the three months and nine months ended September 30, 2021.

The following is a summary of assets and liabilities attributable to discontinued operations, which were included in our Consolidated Balance Sheet at December 31, 2021:

	December 31, 2021
Assets:	
Current assets	$ 9,005
Noncurrent Inventories and Theatrical Film and Television Production Costs	18,983
Property, plant and equipment, net	4,255
Goodwill	40,484
Other Intangibles – Net	40,273
Other assets	6,776
Total assets, discontinued operations	$ 119,776
Liabilities:	
Current liabilities	$ 12,912
Other liabilities	20,643
Total liabilities, discontinued operations	$ 33,555

In preparation for close, on April 7, 2022, Spinco drew $10,000 on its $10,000 term loan credit agreement (Spinco Term Loan), which conveyed to WBD. Total debt conveyed was approximately $41,600, which includes $1,600 of existing WarnerMedia debt, $30,000 of Spinco senior notes issued in March 2022 and the $10,000 Spinco Term Loan. WarnerMedia cash transfer to Discovery was approximately $2,660.

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 and technology industries. Our comparative results are impacted by the July 2021 separation of our Video business. You should read this discussion in conjunction with the consolidated financial statements and accompanying notes (Notes).

We have two reportable segments: Communications and Latin America. Our segment results presented in Note 4 and discussed below follow our internal management reporting. Percentage increases and decreases that are not considered meaningful are denoted with a dash.

On April 8, 2022, we closed on our transaction to combine substantially all of our WarnerMedia segment (WarnerMedia business) with a subsidiary of Discovery, Inc (Discovery). Upon the separation and distribution of WarnerMedia, the WarnerMedia business met the criteria for discontinued operations. For discontinued operations, we also evaluated transactions that were components of AT&T's single plan of a strategic shift, including dispositions that did not individually meet the criteria due to materiality, and have determined discontinued operations to be comprised of WarnerMedia, Vrio, Xandr and Playdemic Ltd. These businesses are reflected in our historical financial statements as discontinued operations, including for periods prior to the consummation of the WarnerMedia/Discovery transaction.

	Third Quarter			Nine-Month Period		
	2022	2021	Percent Change	**2022**	2021	Percent Change
Operating Revenues						
Communications	**$ 29,131**	$ 28,218	3.2 %	**$ 86,702**	$ 84,524	2.6 %
Latin America - Mexico	**785**	724	8.4	**2,283**	2,043	11.7
Corporate and Other:						
Corporate	**127**	188	(32.4)	**413**	546	(24.4)
Video	**—**	2,149	—	**—**	15,513	—
Held-for-sale and other reclassifications	**—**	64	—	**—**	453	—
Eliminations and consolidation	**—**	(17)	—	**—**	(136)	—
AT&T Operating Revenues	**30,043**	31,326	(4.1)	**89,398**	102,943	(13.2)
Operating Income						
Communications	**7,631**	7,168	6.5	**21,886**	21,983	(0.4)
Latin America - Mexico	**(63)**	(130)	51.5	**(247)**	(393)	37.2
Segment Operating Income	**7,568**	7,038	7.5	**21,639**	21,590	0.2
Corporate	**(621)**	(402)	(54.5)	**(1,810)**	(1,033)	(75.2)
Video	**—**	374	—	**—**	2,491	—
Held-for-sale and other reclassifications	**—**	33	—	**—**	147	—
Reclassification of prior service credits	**(731)**	(670)	(9.1)	**(1,961)**	(2,011)	2.5
Merger and Significant Items	**(204)**	(136)	(50.0)	**(1,363)**	(181)	—
AT&T Operating Income	**$ 6,012**	$ 6,237	(3.6)%	**$ 16,505**	$ 21,003	(21.4)%

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 ethernet-based fiber services, IP Voice and managed professional services, as well as traditional voice and data services and related equipment to business customers.
- **Consumer Wireline** provides broadband services, including fiber connections that now provide our multi-gig services to residential customers. Consumer Wireline also provides legacy telephony voice communication services.

The ***Latin America segment*** provides wireless services and equipment in Mexico.

In the first quarter of 2022, we reclassified into "Corporate" certain administrative costs borne by AT&T where the business units do not influence decision making to conform with the current period presentation. This recast increased Corporate operations and support expenses by approximately $270 for full-year 2021. Correspondingly, this recast lowered administrative expenses at AT&T's Communications operations and Video, with no change on a consolidated basis.

RESULTS OF OPERATIONS

Consolidated Results Our financial results from continuing operations 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		
	2022	2021	Percent Change	**2022**	2021	Percent Change
Operating Revenues						
Service	**$ 24,731**	$ 26,247	(5.8)%	**$ 72,998**	$ 87,340	(16.4)%
Equipment	**5,312**	5,079	4.6	**16,400**	15,603	5.1
Total Operating Revenues	**30,043**	31,326	(4.1)	**89,398**	102,943	(13.2)
Operating expenses						
Operations and support	**19,517**	20,632	(5.4)	**59,467**	68,588	(13.3)
Depreciation and amortization	**4,514**	4,457	1.3	**13,426**	13,352	0.6
Total Operating Expenses	**24,031**	25,089	(4.2)	**72,893**	81,940	(11.0)
Operating Income	**6,012**	6,237	(3.6)	**16,505**	21,003	(21.4)
Interest expense	**1,420**	1,627	(12.7)	**4,548**	5,090	(10.6)
Equity in net income (loss) of affiliates	**392**	183	—	**1,417**	159	—
Other income (expense) - net	**2,270**	1,522	49.1	**6,729**	6,958	(3.3)
Income from Continuing Operations Before Income Taxes	**7,254**	6,315	14.9	**20,103**	23,030	(12.7)
Income from Continuing Operations	**$ 6,346**	$ 5,019	26.4 %	**$ 16,246**	$ 18,574	(12.5)%

Operating revenues decreased in the third quarter and for the first nine months of 2022, reflecting the July 31, 2021 separation of the U.S. video business, other business divestitures that were not included in discontinued operations and lower Business Wireline revenues driven by lower demand for legacy services and product simplification. Partially offsetting declines were higher Mobility service and equipment revenues and, to a lesser extent, gains in broadband service in our Communications segment and growth in Mexico wireless operations.

Operations and support expenses decreased in the third quarter and for the first nine months of 2022. The expense decrease reflects the separation of U.S. video and 3G shutdown costs in the prior-year third quarter. Offsetting these decreases were expense increases resulting from noncash impairment charges in the second quarter of 2022 of approximately $600, due primarily to updated network build plans stemming from spectrum acquired in recent auctions and impairment of personal

protective equipment inventory. Expense increases were also driven by higher domestic wireless equipment expense from increased sales volumes and the sale of higher-priced smartphones, increased wholesale network access charges, increased bad debt expense and 3G network shutdown costs in the first quarter of 2022. These increases were partially offset by our first-quarter 2022 updates to the expected economic lives of customer relationships, which extended the amortization period of deferred acquisition and fulfillment costs and reduced expenses approximately $85 in the third quarter and $340 for the first nine months, with $30 in the third quarter and $130 for the nine-month period recorded to Mobility, $25 in the third quarter and $100 for the nine-month period to Business Wireline and $30 in the third quarter and $110 for the nine-month period to Consumer Wireline.

Depreciation and amortization expense increased in the third quarter and for the first nine months of 2022.
Depreciation expense increased $69, or 1.6% in the third quarter and $156, or 1.2% for the first nine months of 2022. The increases were primarily due to ongoing capital spending for network upgrades and expansion, partially offset by updates to extend the estimated lives of our fiber assets.

Amortization expense decreased $12, or 42.9% in the third quarter and $82, or 57.7% for the first nine months of 2022 reflecting the accelerated method of amortization applied to intangibles associated with prior acquisitions.

Operating income decreased in the third quarter and for the first nine months of 2022, reflecting the separation of the U.S. video business. Our operating income margin for the third quarter increased from 19.9% in 2021 to 20.0% in 2022 and for the first nine months decreased from 20.4% in 2021 to 18.5% in 2022.

Interest expense decreased in the third quarter and for the first nine months of 2022, primarily due to lower debt balances and higher capitalized interest associated with spectrum acquisitions, partially offset by higher interest rates.

Equity in net income of affiliates increased in the third quarter and for the first nine months of 2022, primarily due to the close of our transaction with TPG and our accounting for our investment in DIRECTV Entertainment Holdings, LLC (DIRECTV) under the equity method of accounting beginning August 1, 2021 (see Note 11).

Other income (expense) – net increased in the third quarter and decreased for the first nine months of 2022. The increase in the third quarter was primarily driven by the recognition of an actuarial gain of $1,440 compared to $374 in 2021, partially offset by lower returns on benefit-related investments and benefit expense accrual increases that resulted from previous 2022 quarterly remeasurements of plan assets and obligations, which included increases in the assumed discount rates. Third-quarter 2022 benefit expense includes approximately $140 favorable impact from a retirement benefit plan change, with $115 resulting from prior service credits (approximately $50 for Business Wireline, $40 for Consumer Wireline and $20 for Mobility) (see Note 6).

The decrease for the first nine months resulted from the aforementioned lower returns on benefit-related investments, higher benefit expense accruals, and the impact of gains on investment and business sales in the prior year. (see Note 6).

Income tax expense decreased in the third quarter and for the first nine months of 2022. The decrease in the third quarter was primarily driven by one-time benefits in the third quarter of 2022 offset by higher income before income tax. One-time benefits are primarily due to a tax election which generated incremental tax benefit on the sale of Vrio and audit settlements in 2022. Our effective tax rate was 12.5% in the third quarter of 2022, versus 20.5% in the comparable period in the prior year.

The decrease for the first nine months was primarily due to lower income before income tax. Our effective tax rate was 19.2% for the first nine months of 2022, versus 19.3% for the comparable period in the prior year.

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		
	2022	2021	Percent Change	**2022**	2021	Percent Change
Segment Operating Revenues						
Mobility	**$ 20,278**	$ 19,138	6.0 %	**$ 60,279**	$ 57,108	5.6 %
Business Wireline	**5,668**	5,938	(4.5)	**16,903**	18,036	(6.3)
Consumer Wireline	**3,185**	3,142	1.4	**9,520**	9,380	1.5
Total Segment Operating Revenues	**29,131**	28,218	3.2	**86,702**	84,524	2.6
Segment Operating Income						
Mobility	**6,419**	5,987	7.2	**18,484**	18,038	2.5
Business Wireline	**882**	1,002	(12.0)	**2,451**	3,151	(22.2)
Consumer Wireline	**330**	179	84.4	**951**	794	19.8
Total Segment Operating Income	**$ 7,631**	$ 7,168	6.5 %	**$ 21,886**	$ 21,983	(0.4)%

Selected Subscribers and Connections

	September 30,	
(000s)	**2022**	2021
Mobility Subscribers	**210,678**	196,519
Total domestic broadband connections	**15,452**	15,510
Network access lines in service	**5,466**	6,404
U-verse VoIP connections	**3,022**	3,440

Operating revenues increased in the third quarter and for the first nine months of 2022, 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. Business Wireline continues to reflect lower demand for legacy services and product simplification.

Operating income increased in the third quarter and decreased for the first nine months of 2022, reflecting increases in our Mobility and Consumer Wireline business units, offset by lower operating income from our Business Wireline business unit in the third quarter. Operating income for the first nine months reflects lower operating income from our Business Wireline business unit, partially offset by increases in our Mobility and Consumer Wireline business units. Our Communications segment operating income margin in the third quarter increased from 25.4% in 2021 to 26.2% in 2022 and for the first nine months of the year decreased from 26.0% in 2021 to 25.2% in 2022, reflecting, in part, increased equipment sales with negative margins.

Communications Business Unit Discussion

Mobility Results

	Third Quarter			Nine-Month Period		
	2022	2021	Percent Change	**2022**	2021	Percent Change
Operating revenues						
Service	**$ 15,337**	$ 14,527	5.6 %	**$ 45,065**	$ 42,921	5.0 %
Equipment	**4,941**	4,611	7.2	**15,214**	14,187	7.2
Total Operating Revenues	**20,278**	19,138	6.0	**60,279**	57,108	5.6
Operating expenses						
Operations and support	**11,817**	11,116	6.3	**35,677**	32,998	8.1
Depreciation and amortization	**2,042**	2,035	0.3	**6,118**	6,072	0.8
Total Operating Expenses	**13,859**	13,151	5.4	**41,795**	39,070	7.0
Operating Income	**$ 6,419**	$ 5,987	7.2 %	**$ 18,484**	$ 18,038	2.5 %

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

Subscribers

	September 30,		Percent
(in 000s)	**2022**	2021	Change
Postpaid	**83,614**	80,249	4.2 %
Postpaid phone	**68,969**	66,396	3.9
Prepaid	**19,215**	19,028	1.0
Reseller	**5,854**	6,263	(6.5)
Connected devices[1]	**101,995**	90,979	12.1
Total Mobility Subscribers[2]	**210,678**	196,519	7.2 %

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

[2] Wireless subscribers at September 30, 2022 excludes the impact of 10,707 subscriber and connected device disconnections resulting from our 3G network shutdown in February 2022. Postpaid disconnections were 899, including 438 phone, 234 prepaid, 749 reseller subscribers, and 8,825 connected devices. The third quarter includes an adjustment of approximately 170 subscribers, primarily connected devices.

Net Additions

	Third Quarter			Nine-Month Period		
(in 000s)	**2022**	2021	Percent Change	**2022**	2021	Percent Change
Postpaid Phone Net Additions	**708**	928	(23.7) %	**2,212**	2,312	(4.3) %
Total Phone Net Additions	**816**	1,177	(30.7)	**2,629**	2,942	(10.6)
Postpaid[2]	**964**	1,218	(20.9)	**2,987**	3,197	(6.6)
Prepaid	**141**	351	(59.8)	**488**	927	(47.4)
Reseller	**308**	(164)	—	**312**	(357)	—
Connected devices[3]	**5,716**	3,468	64.8	**15,476**	10,194	51.8
Mobility Net Subscriber Additions[1]	**7,129**	4,873	46.3 %	**19,263**	13,961	38.0 %
Postpaid Churn[4]	**1.01 %**	0.92 %	9 BP	**0.96 %**	0.91 %	5 BP
Postpaid Phone-Only Churn[4]	**0.84 %**	0.72 %	12 BP	**0.79 %**	0.72 %	7 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 33 and 34 for the three months ended September 30, 2022 and 2021 and 118 and (16) for the first nine months ended September 30, 2022 and 2021. Wearables and other net adds were 223 and 256 for the quarter ended September 30, 2022 and 2021 and 657 and 901 for the first nine months ended September 30, 2022 and 2021.

[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 approximately 2,600 for the quarter ended September 30, 2022 and 7,400 for the nine months ended September 30, 2022.

[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 2022. The increases are largely due to growth from subscriber gains and postpaid average revenue per subscriber (ARPU) growth.

ARPU
ARPU increased in the third quarter and for the first nine months of 2022. ARPU during 2022 reflects pricing actions, improved international roaming and customers shifting to higher priced unlimited plans, partially offset by 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 higher for the first nine months due to a return to pre-pandemic consumer behavior as well as pricing actions and the resulting increase in both voluntary and involuntary disconnects.

Equipment revenue increased in the third quarter and for the first nine months of 2022, primarily driven by a higher volume of devices sold and the sale of higher-priced smartphones.

Operations and support expenses increased in the third quarter and for the first nine months of 2022 largely driven by growth in equipment sales and associated expenses, bad debt expense, higher network costs and the elimination of Connect America Fund Phase II (CAF II) government credits. HBO Max licensing fees and FirstNet costs also contributed to increases for the nine-month period. Offsetting increases in the third quarter were third-quarter 2021 3G network shutdown costs. In the first quarter of 2022, we updated our analysis of economic lives of customer relationships and extended the amortization period of Mobility deferred customer contract costs, which decreased expense approximately $30 and $130 in the third quarter and for the first nine months of 2022.

Depreciation expense increased in the third quarter and for the first nine months of 2022, primarily due to ongoing capital spending for network upgrades and expansion, partially offset by ceasing use of 3G network assets.

Operating income increased in the third quarter and for the first nine months of 2022. Our Mobility operating income margin in the third quarter increased from 31.3% in 2021 to 31.7% in 2022 and for the first nine months decreased from 31.6% in 2021 to 30.7% in 2022. Our Mobility EBITDA margin in the third quarter decreased from 41.9% in 2021 to 41.7% in 2022 and for the first nine months decreased from 42.2% in 2021 to 40.8% in 2022. EBITDA is defined as operating income excluding depreciation and amortization.

Subscriber Relationships

As the wireless industry has matured, with nearly full penetration of smartphones in the U.S. population, future wireless growth will depend on our ability to offer innovative services, plans and devices that bundle product offerings and take advantage of our 5G wireless network. We believe 5G opens up vast possibilities of connecting sensors, devices, and autonomous things, commonly referred to as the Internet of Things (IoT). More and more, these devices are performing use cases that require high bandwidth, ultra-reliability and low latency that only 5G and edge computing can bring. 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.

Business Wireline Results

	Third Quarter			Nine-Month Period		
	2022	2021	Percent Change	**2022**	2021	Percent Change
Operating revenues						
Service	**$ 5,524**	$ 5,765	(4.2)%	**$ 16,418**	$ 17,497	(6.2)%
Equipment	**144**	173	(16.8)	**485**	539	(10.0)
Total Operating Revenues	**5,668**	5,938	(4.5)	**16,903**	18,036	(6.3)
Operating expenses						
Operations and support	**3,444**	3,632	(5.2)	**10,498**	11,010	(4.7)
Depreciation and amortization	**1,342**	1,304	2.9	**3,954**	3,875	2.0
Total Operating Expenses	**4,786**	4,936	(3.0)	**14,452**	14,885	(2.9)
Operating Income	**$ 882**	$ 1,002	(12.0)%	**$ 2,451**	$ 3,151	(22.2)%

Service revenues decreased in the third quarter and for the first nine months of 2022, driven by lower demand for legacy voice and data services and product simplification. Also contributing to the decline was lower revenues from the government sector. Partially offsetting revenue declines was growth in connectivity services and revenues of approximately $100 from intellectual property sales in the third quarter of 2022. We expect these overall revenue trends to continue for the remainder of the year.

Equipment revenues decreased in the third quarter and for the first nine months of 2022, 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 2022, primarily due to our continued efforts to drive efficiencies in our network operations through automation and reductions in customer support expenses through digitization, and credits from a third-quarter 2022 retirement benefit plan change. Expense declines were also driven by lower amortization of deferred fulfillment costs, including our first-quarter 2022 updates to the estimated economic lives of subscribers, which decreased expense approximately $25 and $100 in the third quarter and for the first nine months of 2022. The declines were partially offset by higher wholesale access network costs for the nine-month period. As part of our transformation activities, we expect operations and support expense improvements through the remainder of 2022 and into 2023 as we size our operations consistent with the strategic direction of the business.

Depreciation expense increased in the third quarter and for the first nine months of 2022, primarily due to ongoing capital spending for network upgrades and expansion, partially offset by updates to extend the estimated lives of our fiber assets.

Operating income decreased in the third quarter and for the first nine months of 2022. Our Business Wireline operating income margin in the third quarter decreased from 16.9% in 2021 to 15.6% in 2022 and for the first nine months decreased from 17.5% in 2021 to 14.5% in 2022. Our Business Wireline EBITDA margin in the third quarter increased from 38.8% in 2021 to 39.2% in 2022 and for the first nine months decreased from 39.0% in 2021 to 37.9% in 2022.

Consumer Wireline Results

	Third Quarter			Nine-Month Period		
	2022	2021	Percent Change	**2022**	2021	Percent Change
Operating revenues						
Broadband	**$ 2,429**	$ 2,290	6.1 %	**$ 7,177**	$ 6,761	6.2 %
Legacy voice and data services	**427**	484	(11.8)	**1,332**	1,507	(11.6)
Other service and equipment	**329**	368	(10.6)	**1,011**	1,112	(9.1)
Total Operating Revenues	**3,185**	3,142	1.4	**9,520**	9,380	1.5
Operating expenses						
Operations and support	**2,055**	2,188	(6.1)	**6,218**	6,280	(1.0)
Depreciation and amortization	**800**	775	3.2	**2,351**	2,306	2.0
Total Operating Expenses	**2,855**	2,963	(3.6)	**8,569**	8,586	(0.2)
Operating Income	**$ 330**	$ 179	84.4 %	**$ 951**	$ 794	19.8 %

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

Connections

	September 30,		Percent
(in 000s)	**2022**	2021	Change
Broadband Connections			
Total Broadband and DSL Connections	**14,055**	14,180	(0.9)%
Broadband	**13,796**	13,846	(0.4)
Fiber Broadband Connections	**6,935**	5,721	21.2
Voice Connections			
Retail Consumer Switched Access Lines	**2,123**	2,527	(16.0)
U-verse Consumer VoIP Connections	**2,409**	2,843	(15.3)
Total Retail Consumer Voice Connections	**4,532**	5,370	(15.6)%

Net Additions

	Third Quarter			Nine-Month Period		
(in 000s)	**2022**	2021	Percent Change	**2022**	2021	Percent Change
Broadband Net Additions						
Total Broadband and DSL Net Additions	**(50)**	6	— %	**(105)**	80	— %
Broadband Net Additions	**(29)**	28	—	**(49)**	153	—
Fiber Broadband Net Additions	**338**	289	17.0 %	**943**	770	22.5 %

Broadband revenues increased in the third quarter and for the first nine months of 2022, driven by an increase in fiber customers, which we expect to continue for the foreseeable future as we invest further in building our fiber footprint.

Legacy voice and data service revenues decreased in the third quarter and for the first nine months of 2022, 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 2022, reflecting the continued decline in the number of VoIP customers, which we expect to continue.

Operations and support expenses decreased in the third quarter and for the first nine months of 2022, primarily driven by lower network and customer support costs, fewer employee-related costs, including the impact of a retirement benefit plan change, and lower HBO Max licensing fees in the third-quarter of 2022. Also contributing to the decline was lower amortization of deferred fulfillment costs, including our first-quarter 2022 updates to the estimated economic lives of broadband/fiber subscribers, which decreased expenses approximately $30 in the third quarter and $110 for the first nine months of 2022. The declines were partially offset by the elimination of CAF II government credits, higher bad debt expense and advertising costs for the nine-month period.

Depreciation expense increased in the third quarter and for the first nine months of 2022, primarily due to ongoing capital spending for network upgrades and expansion, partially offset by updates to extend the estimated lives of our fiber assets.

Operating income increased in the third quarter and for the first nine months of 2022. Our Consumer Wireline operating income margin in the third quarter increased from 5.7% in 2021 to 10.4% in 2022 and for the first nine months increased from 8.5% in 2021 to 10.0% in 2022. Our Consumer Wireline EBITDA margin in the third quarter increased from 30.4% in 2021 to 35.5% in 2022 and for the first nine months increased from 33.0% in 2021 to 34.7% in 2022.

LATIN AMERICA SEGMENT	Third Quarter			Nine-Month Period		
	2022	2021	Percent Change	**2022**	2021	Percent Change
Segment Operating Revenues						
Service	**$ 559**	$ 463	20.7 %	**$ 1,583**	$ 1,349	17.3 %
Equipment	**226**	261	(13.4)	**700**	694	0.9
Total Segment Operating Revenues	**785**	724	8.4	**2,283**	2,043	11.7
Segment Operating Expenses						
Operations and support	**684**	697	(1.9)	**2,036**	1,984	2.6
Depreciation and amortization	**164**	157	4.5	**494**	452	9.3
Total Segment Operating Expenses	**848**	854	(0.7)	**2,530**	2,436	3.9
Operating Income (Loss)	**$ (63)**	$ (130)	51.5 %	**$ (247)**	$ (393)	37.2 %

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

(in 000s)	September 30, **2022**	2021	Percent Change
Mexico Wireless Subscribers			
Postpaid	**4,854**	4,781	1.5 %
Prepaid	**15,689**	14,199	10.5
Reseller	**455**	493	(7.7)
Total Mexico Wireless Subscribers	**20,998**	19,473	7.8 %

	Third Quarter			Nine-Month Period		
(in 000s)	**2022**	2021	Percent Change	**2022**	2021	Percent Change
Mexico Wireless Net Additions						
Postpaid	**19**	36	(47.2)%	**47**	85	(44.7)%
Prepaid	**267**	389	(31.4)	**632**	441	43.3
Reseller	**12**	2	—	**(43)**	4	—
Total Mexico Wireless Net Additions	**298**	427	(30.2)%	**636**	530	20.0 %

Service revenues increased in the third quarter and for the first nine months of 2022 reflecting growth in wholesale services and improvements in subscriber growth.

Equipment revenues decreased in the third quarter and increased for the first nine months of 2022. The decrease in the third quarter was due to lower equipment sales. The increase for the first nine months was due to higher equipment sales.

Operations and support expenses decreased in the third quarter and increased for the first nine months of 2022. The decrease in the third quarter was driven by lower equipment costs resulting from lower sales, partially offset by bad debt expense. The increase for the first nine months was due to higher bad debt, partially offset by lower equipment costs in the third-quarter of 2022. 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 2022, reflecting higher in-service assets.

Operating income improved in the third quarter and for the first nine months of 2022. Our Mexico operating income margin in the third quarter increased from (18.0)% in 2021 to (8.0)% in 2022 and for the first nine months increased from (19.2)% in 2021 to (10.8)% in 2022. Our Mexico EBITDA margin in the third quarter increased from 3.7% in 2021 to 12.9% in 2022 and for the first nine months increased from 2.9% in 2021 to 10.8% in 2022.

OTHER BUSINESS MATTERS

Spectrum Auction On January 14, 2022, the Federal Communications Commission (FCC) announced that we were the winning bidder for 1,624 3.45 GHz licenses in Auction 110. We provided the FCC with an upfront deposit of $123 in the third quarter of 2021 and paid the remaining $8,956 in the first quarter of 2022, for a total of $9,079. We funded the purchase price using cash and short-term investments. We received the licenses in May 2022, and classified the auction deposits and related capitalized interest as "Licenses - Net" on our September 30, 2022 consolidated balance sheet. (See Note 8)

In February 2021, the FCC announced that we were the winning bidder for 1,621 C-Band licenses. We provided 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. The licenses were received in July 2021. In the third quarter of 2022, we paid $98 of compensable relocation costs for a total of $1,703 Incentive Payments and compensable relocation costs paid to date for the C-Band licenses, with $1,605 paid in 2021. (See Note 8)

WarnerMedia On April 8, 2022, we completed the separation and distribution of our WarnerMedia business, and merger of Magallanes, Inc. (Spinco), an AT&T subsidiary formed to hold the WarnerMedia business, with a subsidiary of Discovery, Inc., which was renamed Warner Bros. Discovery Inc. (WBD). Each AT&T shareholder was entitled to receive 0.241917 shares of WBD common stock for each share of AT&T common stock held as of the record date, which represented approximately 71% of WBD. In connection with and in accordance with the terms of the Separation and Distribution Agreement (SDA), prior to the distribution and merger, AT&T received approximately $40,400, which includes $38,800 of Spinco cash and $1,600 of debt retained by WarnerMedia. During the second quarter, assets of approximately $121,100 and liabilities of $70,600 were removed from our balance sheet as well as $45,041 of retained earnings and $5,632 of additional paid-in capital associated with the transaction. Additionally, in August 2022, we and WBD finalized the post-closing adjustment, pursuant to section 1.3 of the SDA, which resulted in a $1,200 payment to WBD in the third quarter of 2022. The $1,200 post-closing adjustment was included in the change in additional paid-in capital for the three months ended June 30, 2022, and for balance sheets ended June 30, 2022 and September 30, 2022. The payment was accounted for as cash used in financing activities in our statement of cash flows in third quarter of 2022. (See Note 8)

AT&T, Spinco and Discovery entered into a Tax Matters Agreement, which governs the parties' rights, responsibilities and obligations with respect to tax liabilities and benefits, the preservation of the expected tax-free status of the transactions contemplated by the SDA, and other matters regarding taxes.

Additionally, we entered into an adjusted HBO Max agreement with WBD that provides us with expanded distribution rights and additional flexibility to market and sell the service in a cost-efficient manner. Under the terms of the agreement, we are permitted to include HBO Max in our customer offerings in exchange for a licensing fee. Furthermore, AT&T has the right, but not the obligation, to market and distribute HBO Max to its customers in plans, bundles, and promotional offers.

Xandr On June 6, 2022, we completed the sale of the marketplace component of Xandr to Microsoft Corporation. Xandr was reflected in our historical financial statements as discontinued operations. (See Note 8)

COMPETITIVE AND REGULATORY ENVIRONMENT

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

In the Telecommunications Act of 1996 (Telecom Act), Congress established a national policy framework intended to bring the benefits of competition and investment in advanced telecommunications facilities and services to all Americans by opening all telecommunications markets to competition and reducing or eliminating regulatory burdens that harm consumer welfare. Nonetheless, over the ensuing two decades, the FCC and some state regulatory commissions have maintained or expanded certain regulatory requirements that were imposed decades ago on our traditional wireline subsidiaries when they operated as legal monopolies. More recently, the FCC has pursued a more deregulatory agenda, eliminating a variety of antiquated and unnecessary regulations and streamlining its processes in a number of areas. 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.

The Inflation Reduction Act of 2022 (Inflation Reduction Act) was enacted on August 16, 2022. The Inflation Reduction Act imposes a new 15% corporate alternative minimum tax (CAMT) on "applicable corporations" for taxable years beginning after December 31, 2022. The CAMT is imposed to the extent the alternative minimum tax exceeds a company's regular tax liability. A corporation that pays alternative minimum tax is eligible for a credit against income tax in future years. Subject to future regulatory guidance, we currently do not believe the CAMT will have a material impact on our 2023 tax liability.

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 decision is pending.

Some states have adopted legislation or issued executive orders, including California, that would reimpose net neutrality rules similar to those repealed by the FCC. The California statute is now in effect, and challenges regarding other states' net neutrality laws are pending. We expect that going forward additional states may seek to impose net neutrality requirements.

On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act (IIJA) into law. The legislation appropriates $65,000 to support broadband deployment and adoption. The National Telecommunications and Information Agency (NTIA) is responsible for distributing more than $48,000 of this funding, including $42,500 in state grants for broadband deployment projects in unserved and underserved areas, $1,000 for middle mile broadband infrastructure, and $1,500 for digital equity programs. On May 13, 2022 NTIA issued three Notices of Funding Opportunity for these initiatives – the Broadband Equity, Access, and Deployment Program, the Enabling Middle Mile Broadband Infrastructure Program, and the State Digital Equity Program. NTIA will continue to administer and implement these programs. The IIJA also appropriated $14,200 for establishment of the Affordable Connectivity Program (ACP), an FCC-administered monthly, low-income broadband benefit program, replacing the Emergency Broadband Benefit program (established in December 2020 by the Consolidated Appropriations Act 2021). Qualifying customers can receive up to thirty dollars per month (or seventy-five dollars per month for those on Tribal lands) to assist with their internet bill. AT&T is a participating provider in the ACP program and will consider participating in the deployment program where appropriate. The IIJA includes various provisions that have resulted in FCC proceedings regarding ACP program administration and consumer protection, reform of the existing universal support program, and broadband labeling and equal access.

Privacy-related legislation continues to be adopted or considered in a number of jurisdictions, including at the federal level. 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.

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

LIQUIDITY AND CAPITAL RESOURCES

Continuing operations for nine months ended September 30,	2022	2021
Cash provided by operating activities	**$ 25,464**	$ 29,093
Cash used in investing activities	**(23,011)**	(28,528)
Cash (used in) provided by financing activities	**(54,403)**	8,453

	September 30, 2022	December 31, 2021
Cash and cash equivalents	**$ 2,423**	$ 19,223
Total debt	**133,480**	175,631

We had $2,423 in cash and cash equivalents available at September 30, 2022, decreasing $16,800 since December 31, 2021 and returning to historical thresholds with the close of the WarnerMedia/Discovery transaction. Cash and cash equivalents included cash of $1,132 and money market funds and other cash equivalents of $1,291. Approximately $957 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.

For the first nine months of 2022, cash inflows were primarily provided by cash receipts from operations, including cash from our sale and transfer of our receivables to third parties, cash received in connection with the separation and distribution of the WarnerMedia business, issuance of commercial paper and long-term debt and distributions from DIRECTV. These inflows were exceeded 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, repayment of short-term borrowings and long-term debt, and dividend payments to stockholders. We maintain availability under our credit facilities and our commercial paper program to meet our short-term liquidity requirements.

Cash Provided by Operating Activities from Continuing Operations
During the first nine months of 2022, cash provided by operating activities was $25,464, compared to $29,093 for the first nine months of 2021, reflecting working capital impacts including higher payments for wireless devices tied to accelerated subscriber growth and timing of customer collections. Although our credit policies have been consistent over the last few years, customer collections began to trend slower in the latter half of the second quarter of 2022 and remained relatively stable in the third quarter when compared to the second quarter of 2022, as customers returned to pre-pandemic payment trends. Stimulus payments during the pandemic contributed to better collection and bad debt expense trends than historical levels. Specifically, while bad debt expense was slightly higher than 2021, partially due to growth in our account base, it was relatively consistent with 2019 (pre-pandemic) levels.

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 the stated payment terms by 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 $1,653 and $1,803 for the nine months ended September 30, 2022 and 2021, respectively. All supplier financing payments are due within one year.

Cash Used in or Provided by Investing Activities from Continuing Operations
For the first nine months of 2022, cash used in investing activities totaled $23,011, and consisted primarily of $15,397 (including interest during construction) for capital expenditures and $9,959 for acquisitions of spectrum licenses won in Auction 110 and associated capitalized interest. During the first nine months of 2022, we received a return of investment of $2,205 from DIRECTV representing distributions in excess of cumulative equity in earnings from DIRECTV (see Note 11).

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 2022, vendor financing payments were $4,237, compared to $4,013 for the first nine months of 2021.

Capital expenditures for the first nine months of 2022 were $15,397, and when including $4,237 cash paid for vendor financing, capital investment was $19,634 ($3,570 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 2022, we placed $3,916 of equipment in service under vendor financing arrangements (compared to $3,624 in the prior-year comparable period) and approximately $250 of assets related to the FirstNet build (compared to $610 in the prior-year comparable period). The amount of capital expenditures is influenced by demand for services and products, capacity needs and network enhancements. Our capital expenditures and vendor financing payments are elevated in 2022, reflecting strategic investments.

Cash Provided by or Used in Financing Activities from Continuing Operations
For the first nine months of 2022, cash used in financing activities totaled $54,403 and was comprised of debt issuances and repayments, payments of dividends, vendor financing payments, and stock repurchases. During the first nine months of 2022, we also paid approximately $1,070 in cash on the note payable to DIRECTV, with $271 remaining due as of September 30, 2022.

A tabular summary of our debt activities for the nine months ended September 30, 2022 is as follows:

	First Quarter	Second Quarter	Third Quarter	Nine months ended September 30, 2022
Net commercial paper borrowings	$ 1,471	$ (5,219)	$ (724)	$ (4,472)
Issuance of Notes and Debentures:				
Private Financing	—	—	750	750
Other	479	—	—	479
Debt Issuances	$ 479	$ —	$ 750	$ 1,229
Repayments:				
2021 Syndicated Term Loan	$ —	$ (7,350)	$ —	$ (7,350)
BAML Bilateral Term Loan - Tranche A	—	(1,000)	—	(1,000)
Private financing	—	(750)	—	(750)
Repayment of other short-term borrowings	$ —	$ (9,100)	$ —	$ (9,100)
USD notes[1, 2, 3]	$ (123)	$ (18,957)	$ —	$ (19,080)
Euro notes	—	(3,343)	—	(3,343)
BAML Bilateral Term Loan - Tranche B	—	(1,000)	—	(1,000)
Other	(667)	(123)	(199)	(989)
Repayments of long-term debt	$ (790)	$ (23,423)	$ (199)	$ (24,412)

1 On March 31, 2022, we issued a notice for the redemption in full of all of the outstanding $1,962 aggregate principal amount of 3.000% Global Notes due June 30, 2022. We redeemed the notes on April 30, 2022 at 100% of the principal amount.

2 On April 11, 2022, we issued notices for the redemption in full of all of the outstanding approximately $9,042 aggregate principal amount of various global notes due 2022 to 2026 with coupon rates ranging from 2.625% to 4.450% (Make-Whole Notes). The Make-Whole Notes were redeemed on the redemption dates set forth in the notices of redemption, at "make whole" redemption prices calculated as set forth in the respective redemption notices in the second quarter.

3 Includes $7,954 of cash paid toward the $8,822 aggregate principal amount of various notes that were tendered for cash in May 2022. The notes had interest rates ranging between 3.100% and 8.750% and original maturities ranging from 2026 to 2061.

The weighted average interest rate of our entire long-term debt portfolio, including credit agreement borrowings and the impact of derivatives, was approximately 4.1% as of September 30, 2022 and 3.8% as of December 31, 2021. We had $129,688 of total notes and debentures outstanding at September 30, 2022. This also included Euro, British pound sterling, Canadian dollar, Mexican peso, Australian dollar, and Swiss franc denominated debt that totaled approximately $32,822.

At September 30, 2022, we had $9,626 of debt maturing within one year, consisting of $2,161 of commercial paper borrowings, $750 of credit agreement borrowings and $6,715 of long-term debt issuances.

For the first nine months of 2022, we paid $4,237 of cash under our vendor financing program, compared to $4,013 in the prior-year comparable period. Total vendor financing payables included in our September 30, 2022 consolidated balance sheet were $4,635, with $3,105 due within one year (in "Accounts payable and accrued liabilities") and the remainder predominantly due within five years (in "Other noncurrent liabilities").

At September 30, 2022, we had approximately 144 million shares remaining from our share repurchase authorizations approved by the Board of Directors in 2014. During the first nine months of 2022, we repurchased approximately 34 million shares under the March 2014 authorization.

We paid dividends on common and preferred shares of $7,845 during the first nine months of 2022, compared with $11,319 for the first nine months of 2021.

Dividends on common stock declared by our Board of Directors totaled $0.8325 per share in the first nine months of 2022 and $1.56 per share in the first nine months of 2021. Our dividend policy considers the expectations and requirements of stockholders, capital funding requirements of AT&T and long-term growth opportunities. On February 1, 2022, we announced that our Board of Directors approved an expected annual dividend level of $1.11 per common share, or approximately $8,000 per year, following the close of the WarnerMedia/Discovery transaction.

Subsequent to quarter end, on October 24, 2022, approximately 105 million Series A Cumulative Perpetual Preferred Membership Interests in AT&T Mobility II LLC (Mobility preferred interests) of the 319 million outstanding were put to AT&T by a third-party investor. We paid approximately $2,600 cash to redeem the Mobility preferred interest, funded with commercial paper borrowings. As of October 31, 2022, we have approximately 213 million Mobility preferred interests outstanding, which have a redemption value of approximately $5,300 and pay cash distributions of $373 per annum, subject to declaration. Under the terms of the Mobility preferred interests, holders can put no more than 107 million interests in any 12-month period. As a result, future puts can be exercised in the fourth quarter of 2023, at the earliest.

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, 2022.

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. In the first quarter of 2022, the maturity date of the 2021 Syndicated Term Loan was extended to December 31, 2022. On April 13, 2022, the 2021 Syndicated Term Loan was paid off and terminated.

In March 2021, we entered into and drew on a $2,000 term loan credit agreement (BAML Bilateral Term Loan) consisting of (i) a $1,000 facility originally due December 31, 2021 (BAML Tranche A Facility) and subsequently extended to December 31, 2022 in the fourth quarter of 2021, and (ii) a $1,000 facility due December 31, 2022 (BAML Tranche B Facility), with Bank of America, N.A., as agent. On April 13, 2022, the BAML Bilateral Term Loan was paid off and terminated.

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, 2022, 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 the majority of our approximate $38,800 derivative portfolio, counterparties are still required to post collateral. During the first nine months of 2022, we posted approximately $1,640 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, 2022, our debt ratio was 48.8%, compared to 49.5% at September 30, 2021 and 48.9% at December 31, 2021. The debt ratio is affected by the same factors that affect total capital, and reflects our recent debt issuances and repayments.

CRITICAL ACCOUNTING ESTIMATES

Asset Valuations and Impairments As discussed in Note 1 of our 2021 Annual Report on Form 10-K, goodwill and other indefinite-lived assets are tested for impairment at least annually as of October 1, generally utilizing a quantitative approach. While an interim quantitative impairment was not warranted in the third quarter of 2022, because of possible sustained higher discount rates and declines in the value of AT&T's common stock, it is possible that the book values of one or more of our reporting units will exceed their respective fair values, which may result in the recognition of a noncash impairment of goodwill and/or indefinite-lived intangible assets in the fourth quarter of 2022 that could be material.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

At September 30, 2022, 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 $38,213 to hedge our exposure to changes in foreign currency exchange rates. These derivatives have been designated as cash flow or fair value hedges with a net fair value of $(8,882) at September 30, 2022. We had no rate locks at September 30, 2022.

We have foreign exchange contracts with a U.S. dollar notional value of $617 to provide currency at a fixed rate to hedge a portion of the exchange risk involved in foreign currency-denominated transactions. These foreign exchange contracts include fair value hedges with a total net fair value of $(69) at September 30, 2022.

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 SEC'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, 2022. 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, 2022.

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 herein and in our most recent Form 10-K. 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 or war or other hostilities in the markets served by us or in countries in which we have investments and/or operations, including inflationary pressures, 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; 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.
- 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.
- Our ability to compete in an increasingly competitive industry and against competitors that can 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, including the outbreak of war or other hostilities, and public health emergencies.
- The continued development and delivery of attractive and profitable wireless and broadband offerings and devices; 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.
- The availability and cost and our ability to adequately fund additional wireless spectrum and network development, deployment and maintenance; 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.
- 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 or other climate-related events 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.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS - continued

- Our response to competition and regulatory, legislative and technological developments.
- The uncertainty surrounding further congressional action regarding spending and taxation, which may result in changes in government spending and affect the ability and willingness of businesses and consumers to spend in general.
- 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, 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, 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 2022, 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 2022 is as follows:

Period	(a) Total Number of Shares (or Units) Purchased[1, 2, 3]	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs[1]	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under The Plans or Programs
July 1, 2022 - July 31, 2022	10,601	$ 19.61	—	143,731,972
August 1, 2022 - August 31, 2022	42,245	18.69	—	143,731,972
September 1, 2022 - September 30, 2022	88,447	17.46	—	143,731,972
Total	141,293	$ 17.99	—	

[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, 141,293 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, no 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	AT&T Inc. Health Plan effective January 1, 2023
10.2	AT&T Cash Deferral Plan as amended July 28, 2022
10.3	AT&T Stock Purchase and Deferral Plan as amended July 28, 2022
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, 2022, 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, 2022, (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURE

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

AT&T Inc.

November 3, 2022

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

Exhibit 10.1

AT&T HEALTH PLAN
Effective January 1, 2023

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:

(5) 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.

(6) 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.

(7) 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.

10.1 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.

10.2 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.

10.6 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.

10.7 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.
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.

11.3 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.

11.4 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).

11.5 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.

11.6 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
2023 Monthly Contributions, Annual Deductible, Coinsurance Percentages and Annual Out-of-Pocket Maximum

Active Participants

Monthly Contributions	Individual - $ 262 Individual + Spouse - $ 428 Individual + 1 or More Children - $ 282 Individual + Spouse + 1 or More Children - $ 667
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 - $ 278 Individual + Spouse - $ 278 Individual + 2 or More - $ 278	
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 - $ 843 Individual + Spouse - $ 1,349 Individual + 1 or More Children - $ 843 Individual + Spouse + 1 or More Children - $ 1,499
	Class B	Individual - $ 1,004 Individual + Spouse - $ 1,506 Individual + 1 or More Children - $ 1,004 Individual + Spouse + 1 or More Children - $ 1,827
	Class C	Individual - $ 1,246 Individual + Spouse - $ 1,745 Individual + 1 or More Children - $ 1,246 Individual + Spouse + 1 or More Children - $ 2,219
	Class D	Individual - $ 1,739 Individual + Spouse - $ 2,609 Individual + 1 or More Children - $ 1,739 Individual + Spouse + 1 or More Children - $ 3,026

COBRA Continuation Coverage – Monthly Contributions

Active COBRA	Individual - $2,747 Individual + Spouse - $5,628 Individual + 1 or More Children - $4,464 Individual + Spouse + 1 or More Children - $8,051
Retired Prior to August 31, 1992 and Surviving Spouses COBRA	Individual - $2,161 Individual + 1 - $4,221 Individual + 2 or More - $6,061
Retired on or after September 1, 1992 and Surviving Spouses COBRA	Individual - $2,117 Individual + Spouse - $4,338 Individual + 1 or More Children - $3,440 Individual + Spouse + 1 or More Children - $6,205

APPENDIX B

CLAIMS PROCEDURE APPLICABLE TO CLAIMS FOR BENEFITS UNDER THE PLAN

Claim for Benefits Procedures

You, your covered dependents or a duly authorized person has the right under ERISA and the Plan to file a written claim for benefits under the Plan. The following describes the procedures used by the Plan to process claims for benefits, along with your rights and responsibilities. These procedures were designed to comply with the rules of the Department of Labor (DOL) concerning claims for Benefits. It is important that you follow these procedures to make sure that you receive full benefits under the Plan.

The Plan is an ERISA plan, and you may file suit in federal court if you are denied benefits you believe are due you under the Plan. However, you must complete the full claims and appeal process offered under the Plan before filing a lawsuit.

Filing a Claim for Benefits

When filing a claim for benefits, you should file the claim with the Claims Administrator. The Claims Administrator is the third party to whom claims and appeal responsibility has been delegated as permitted under Section 9.1 of the Plan.

The following are not considered claims for benefits under the Plan:

- A claim related to basic eligibility for coverage under the Plan (See Section 12.2 of the Plan).
- A claim related to the Loyalty Conditions contained in Article 8 of the Plan (See Section 12.2 of the Plan).

Claim Filing Limits

A request for payment of benefits must be submitted within one year after the date of service or the date the prescription was provided.

Required Information

When you request payment of benefits from the Plan, you must provide certain information as requested by the Claims Administrator.

Benefit Determinations

Post-Service Claims

Post-service claims are those claims that are filed for payment of benefits after medical care has been received. If your post-service claim is denied, you will receive a written notice from the Claims Administrator within 30 days of receipt of the claim, as long as all needed information identified above and any other information that the Claims Administrator may request in connection with services rendered to you was provided with the claim. The Claims Administrator will notify you within this 30-day period if additional information is needed to process the Claim and may request a one-time extension not longer than 15 days and pend your Claim until all information is received.

Once notified of the extension, you then have 45 days to provide this information. If all of the needed information is received within the 45-day time frame and the claim is denied, the claims Administrator will notify you of the denial within 15 days after the information is received. If you don't provide the needed information within the 45-day period, your claim will be denied.

A denial notice will explain the reason for denial, refer to the part of the Plan on which the denial is based, and provide the claim appeal procedures.

Pre-Service Claims

Pre-service claims are those claims that require notification or approval prior to receiving medical care or require notification within a specified time period after service begins as required under the Plan provisions. If your claim is a pre-service claim and is submitted properly with all needed information, you will receive written notice of the claim decision from the Claims Administrator within 15 days of receipt of the claim. If you file a pre-service claim improperly, the Claims Administrator will notify you of the improper filing and how to correct it within five days after the pre-service claim is received. If additional information is needed to process the pre-service claim, the Claims Administrator will notify you of the information needed within 15 days after the claim was received and may request a one-time extension not longer than 15 days and pend your claim until all information is received. Once notified of the extension, you then have 45 days to provide this information. If all of the needed information is received within the 45-day time frame, the Claims Administrator will notify you of the determination within 15 days after the information is received. If you don't provide the needed information within the 45-day period, your claim will be denied. A denial notice will explain the reason for denial, refer to the part of the Plan on which the denial is based, and provide the claim appeal procedures.

Urgent Care Claims That Require Immediate Action
Urgent care claims are those claims that require notification or approval prior to receiving medical care in which a delay in treatment could seriously jeopardize your life or health or the ability to regain maximum function or, in the opinion of a physician with knowledge of your medical condition, could cause severe pain. In these situations:

- You will receive notice of the benefit determination in writing or electronically within 72 hours after the Claims Administrator receives all necessary information, taking into account the seriousness of your condition.
- Notice of denial may be oral with a written or electronic confirmation to follow within three days.

If you filed an urgent claim improperly, the Claims Administrator will notify you of the improper filing and how to correct it within 24 hours after the urgent claim was received. If additional information is needed to process the claim, the Claims Administrator will notify you of the information needed within 24 hours after the claim was received. You then have 48 hours to provide the requested information.

You will be notified of a determination no later than 48 hours after either:

- The Claims Administrator's receipt of the requested information.
- The end of the 48-hour period within which you were to provide the additional information, if the information is not received within that time.

A denial notice will explain the reason for denial, refer to the part of the Plan on which the denial is based, and provide the claim appeal procedures.

Concurrent Care Claims
If an ongoing course of treatment was previously approved for a specific period of time or number of treatments, and your request to extend the treatment is an urgent care claim as defined above, your request will be decided within 24 hours, provided your request is made at least 24 hours prior to the end of the approved treatment. The Claims Administrator will make a determination on your request for the extended treatment within 24 hours from receipt of your request.

If your request for extended treatment is not made at least 24 hours prior to the end of the approved treatment, the request will be treated as an urgent care claim and decided according to the time frames described above. If an ongoing course of treatment was previously approved for a specific period of time or number of treatments, and you request to extend treatment in a non-urgent circumstance, your request will be considered a new claim and decided according to post-service or pre-service timeframes, whichever applies.

How to Appeal a Claim Decision

If you disagree with a pre-service or post-service claim determination after following the above steps, you can contact the applicable Claims Administrator in writing to formally request an appeal. Your first appeal request must be submitted to the Claims Administrator within 180 days after you receive the Claim denial.

Appeal Process

A qualified individual who was not involved in the decision being appealed will be appointed to decide the appeal. The Claims Administrator may consult with, or seek the participation of, medical experts as part of the appeal resolution process. You must consent to this referral and the sharing of pertinent medical claim information. Upon written request and free of charge you have the right to reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Appeals Determinations

Pre-Service and Post-Service Claim Appeals
You will be provided written or electronic notification of the decision on your appeal as follows:

- For appeals of pre-service claims, the first-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 15 days from receipt of a request for appeal of a denied Claim. The second-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 15 days from receipt of a request for review of the first-level appeal decision.
- For appeals of post-service claims, the first-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 30 days from receipt of a request for appeal of a denied claim. The second-level appeal will be conducted and you will be notified by the Claims Administrator of the decision within 30 days from receipt of a request for review of the first-level appeal decision.

- For procedures associated with urgent Claims, refer to the following "Urgent Claim Appeals That Require Immediate Action" section.
- If you are not satisfied with the first-level appeal decision of the Claims Administrator, you have the right to request a second-level appeal from the Claims Administrator. Your second level appeal request must be submitted to the Claims Administrator in writing within 60 days from receipt of the first-level appeal decision.
- For pre-service and post-service claim appeals, the Plan Administrator has delegated to the Claims Administrator the exclusive right to interpret and administer the provisions of the Plan. The Claims Administrator's decisions are conclusive and binding.

Please note that the Claims Administrator's decision is based only on whether or not benefits are available under the Plan for the proposed treatment or procedure. The determination as to whether the pending health service is necessary or appropriate is between you and your physician.

Urgent Claim Appeals That Require Immediate Action

Your appeal may require immediate action if a delay in treatment could significantly increase the risk to your health or the ability to regain maximum function or cause severe pain.

In these urgent situations, the appeal does not need to be submitted in writing. You or your physician should call the Claims Administrator as soon as possible. The Claims Administrator will provide you with a written or electronic determination within 72 hours following receipt by the Claims Administrator of your request for review of the determination taking into account the seriousness of your condition.

For urgent claim appeals, the Plan Administrator has delegated to the applicable Claims Administrator the exclusive right to interpret and administer the provisions of the Plan. The Claims Administrator's decisions are conclusive and binding.

In any case, a Participant or Beneficiary may have further rights under ERISA. The Plan provisions require that Participants or Beneficiary pursue and exhaust all claim and appeal rights described in this section before they seek any other legal recourse regarding claims for benefits.

APPENDIX C

DISCLOSURE OF GRANDFATHERED STATUS

MODEL NOTICE

AT&T, as plan sponsor, believes this Plan is a “grandfathered health plan” under the Patient Protection and Affordable Care Act (the “Affordable Care Act”). As permitted by the Affordable Care Act, a grandfathered health plan can preserve certain basic health coverage that was already in effect when that law was enacted. Being a grandfathered health plan means that the plan may not include certain consumer protections of the Affordable Care Act that apply to other plans, for example, the requirement for the provision of preventive health services without any cost sharing. However, grandfathered health plans must comply with certain other consumer protections of the Affordable Care Act, for example, the elimination of lifetime limits on benefits.

Questions regarding which protections apply and which protections do not apply to a grandfathered health plan and what might cause a plan to change from grandfathered health plan status can be directed to the plan administrator at P.O. Box 30558, Salt Lake City, Utah 84130-0558**.** You may also contact the Employee Benefits Security Administration, U.S. Department of labor at 1-866-444-3272 or https://www.dol.gov/ebsa/healthreform. This website has a table summarizing which protections do and do not apply to grandfathered health plans.

APPENDIX D

Notwithstanding the provisions and limitations of Section 2.15 of the Plan, the following Officers shall be included in the term “Eligible Employee” and shall be eligible to participate in the Plan (along with any Dependents) subject to all applicable provisions of the Plan:

Name	Title	Effective Date of Participation
David McAtee	Senior Executive Vice President & General Counsel	February 1, 2018

EXHIBIT 10.2

AT&T INC.

CASH DEFERRAL PLAN

Adopted November 19, 2004
As amended through July 28, 2022

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:

(v) 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.

(vi) 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
Stock Purchase and Deferral Plan and Cash Deferral Plan (the "Plans")

Effective July 28, 2022

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

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 Plans 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 or a further defer election under the Plans 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 Company, Inc.
ii. DIRECTV Entertainment Holdings, LLC
iii. certain joint ventures being considered by AT&T to be entered into with a third party during 2023

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.

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 Plans.

Capitalized terms used herein shall have the meanings set forth in the Plans, 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 10.3

AT&T INC.

STOCK PURCHASE AND DEFERRAL PLAN

Adopted November 19, 2004
As amended through July 28, 2022

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 and Cash Deferral Plan (the "Plans")

Effective July 28, 2022

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

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 Plans 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 or a further defer election under the Plans 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 Company, Inc.
ii. DIRECTV Entertainment Holdings, LLC
iii. certain joint ventures being considered by AT&T to be entered into with a third party during 2023

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.

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 Plans.

Capitalized terms used herein shall have the meanings set forth in the Plans, 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 3, 2022

/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 3, 2022

/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, 2022 (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 3, 2022

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

November 3, 2022

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.