

FORM 10-K
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from _____ to

Commission File Number: 001-8610

AT&T INC.

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

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

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

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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
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	T50A	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

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 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 an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark 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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Based on the closing price of \$28.78 per share on June 30, 2021, the aggregate market value of our voting and non-voting common stock held by non-affiliates was \$205 billion.

At February 11, 2022, common shares outstanding were 7,142,892,741.

DOCUMENTS INCORPORATED BY REFERENCE

- (1) Portions of AT&T Inc.'s Notice of 2021 Annual Meeting and Proxy Statement dated on or about April 1, 2022 to be filed within the period permitted under General Instruction G(3) (Parts III and IV).
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PART I**ITEM 1. BUSINESS****GENERAL**

AT&T Inc. (“AT&T,” “we” or the “Company”) is a holding company incorporated under the laws of the State of Delaware in 1983 and has its principal executive offices at 208 S. Akard St., Dallas, Texas, 75202 (telephone number 210-821-4105). We maintain an internet website at www.att.com. (This website address is for information only and is not intended to be an active link or to incorporate any website information into this document.) We file electronically with the Securities and Exchange Commission (SEC) required reports on Form 8-K, Form 10-Q and Form 10-K; proxy materials; registration statements on Forms S-3 and S-8, as necessary; and other forms or reports as required. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We make available, free of charge, on our website our annual report on Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. We also make available on that website, and in print, if any stockholder or other person so requests, our “Code of Ethics” applicable to all employees and Directors, our “Corporate Governance Guidelines,” and the charters for all committees of our Board of Directors, including Audit, Human Resources and Corporate Governance and Nominating. Any changes to our Code of Ethics or waiver of our Code of Ethics for senior financial officers, executive officers or Directors will be posted on that website.

A reference to a “Note” refers to the Notes to Consolidated Financial Statements in Item 8.

History

AT&T, formerly known as SBC Communications Inc. (SBC), was formed as one of several regional holding companies created to hold AT&T Corp.’s (ATTC) local telephone companies. On January 1, 1984, we were spun-off from ATTC pursuant to an anti-trust consent decree, becoming an independent publicly traded telecommunications services provider. At formation, we primarily operated in five southwestern states.

Following our formation, we have expanded our communications footprint and operations and invested in entertainment businesses, most significantly:

- Our subsidiaries merged with Pacific Telesis Group in 1997, Southern New England Telecommunications Corporation in 1998 and Ameritech Corporation in 1999, thereby expanding our wireline operations as the incumbent local exchange carrier (ILEC) into a total of 13 states.
- In 2005, we merged one of our subsidiaries with ATTC, creating one of the world’s leading telecommunications providers. In connection with the merger, we changed the name of our company from “SBC Communications Inc.” to “AT&T Inc.”
- In 2006, we merged one of our subsidiaries with BellSouth Corporation (BellSouth) making us the ILEC in an additional nine states. With the BellSouth acquisition, we also acquired BellSouth’s 40 percent economic interest in AT&T Mobility LLC (AT&T Mobility), formerly Cingular Wireless LLC, resulting in 100 percent ownership of AT&T Mobility.
- In 2014, we completed the acquisition of wireless provider Leap Wireless International, Inc. and sold our ILEC operations in Connecticut, which we had previously acquired in 1998.
- In 2015, we acquired wireless properties in Mexico, and acquired DIRECTV, a leading provider of digital television entertainment services in both the United States and Latin America. In 2018, the Latin American operations of DIRECTV was renamed Vrio.
- In June 2018, we acquired Time Warner Inc. (Time Warner), a leader in media and entertainment that operated the Turner, Home Box Office (HBO) and Warner Bros. divisions. We also acquired Otter Media Holdings (substantially disposed of in 2021) and advertising platform AppNexus in August 2018 (agreement to sell signed in December 2021). In May 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery, Inc. (Discovery). The transaction is expected to close in the second quarter of 2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals.
- In October 2020, we sold our wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands.
- In July 2021, we closed our transaction with TPG Capital (TPG) to form a new company named DIRECTV Entertainment Holdings, LLC (DIRECTV). With the close of the transaction, we separated our Video business, comprised of our U.S. video operations, and began accounting for our investment in DIRECTV under the equity method.

- In November 2021, we sold our Vrio business unit, which provided video services primarily to residential customers using satellite technology in Latin America and the Caribbean.

General

We are a leading provider of telecommunications, media and technology services globally. The services and products that we offer vary by market and utilize various technology platforms in a range of geographies. Our reportable segments are organized as follows:

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

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

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

On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery, Inc. (Discovery). On December 21, 2021, we entered into an agreement to sell the marketplace component of Xandr to Microsoft Corporation (Microsoft). (See Note 6)

The **Latin America segment** provides wireless services and equipment in Mexico, and prior to the November 2021 disposition of Vrio, video services in Latin America and the Caribbean.

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

- **Corporate**, which consists of: (1) businesses no longer integral to our operations or which we no longer actively market, (2) corporate support functions, (3) impacts of corporate-wide decisions for which the individual operating segments are not being evaluated, and (4) the reclassification of the amortization of prior service credits, which we continue to report with segment operating expenses, to consolidated "Other income (expense) – net." Costs previously allocated to the Video business that were retained after the transaction, net of reimbursements from DIRECTV under transition service agreements, are reported in Corporate following the transaction through 2022, to maintain comparability of our operating segment results, and while operational plans and continued cost reduction initiatives are implemented.
- **Video**, which consists of our former U.S. video operations that were contributed to DIRECTV on July 31, 2021 and also includes our share of DIRECTV's earnings as equity in net income of affiliates (see Note 10).
- **Acquisition-related items**, which consists of items associated with the merger and integration of acquired or divested businesses, including amortization of intangible assets.
- **Certain significant items**, which includes (1) employee separation charges associated with voluntary and/or strategic offers, (2) asset impairments and abandonments, and (3) other items for which the segments are not being evaluated.
- **Eliminations and consolidations**, which (1) removes transactions involving dealings between our segments, including channel distribution between WarnerMedia and Video prior to its separation, and (2) includes adjustments for our reporting of the advertising business.

Areas of Focus

The importance of world-class connectivity and content come together in our three market focus areas: 5G, fiber and HBO Max. Fiber underpins the connectivity we deliver, both wired and wireless. Building on that fiber foundation is our solid spectrum portfolio, strengthened through recent Federal Communications Commission (FCC) auction acquisitions and 5G deployment. We believe our hybrid fixed and mobile approach will differentiate our services and provide us with additional growth opportunities in the future as bandwidth demands continue to grow, with user-generated content growing at an ever-increasing pace. With HBO Max, we've developed a next-generation entertainment distribution platform built for growth in direct-to-consumer subscription and advertising-based relationships. We will continue to demonstrate our commitment to ensure management attention is sharply focused on growth areas and operational efficiencies.

Communications

Our integrated telecommunications network utilizes different technological platforms to provide instant connectivity at the higher speeds made possible by our fiber network expansion and wireless network enhancements. Streaming, augmented reality, "smart" technologies and user generated content is expected to drive greater demand for broadband and capitalize on our fiber and 5G deployments. During 2022, we will continue to develop and provide high-value, integrated mobile and broadband solutions.

Wireless Service We are experiencing rapid growth in data usage as consumers are demanding seamless access across their wireless and wired devices, and businesses and municipalities are connecting more and more equipment and facilities to the internet. The deployment of 5G, which allows for faster connectivity, lower latency and greater bandwidth requires modifications of existing cell sites to add equipment supporting new frequencies, like the C-Band and the newly auctioned 3.45 GHz band. Our 5G service went nationwide in July 2020, and with that availability, the introduction of 5G handsets and devices has contributed to a renewed interest in equipment upgrades. The increased speeds and network operating efficiency expected with 5G technology should enable massive deployment of devices connected to the internet as well as faster delivery of data services. In January 2022, we began to deploy our C-band spectrum, subject to certain voluntary limitations.

In North America, our network covers over 434 million people with 4G LTE and over 250 million with 5G technology. In the United States, our network covers all major metropolitan areas and more than 330 million people with our LTE technology and more than 250 million people with our 5G technology. Our 3G network provides services to customers using older handsets and connected devices. We will discontinue services on our 3G network on February 22, 2022 and expect to redeploy that spectrum in our transition to 5G. As of December 31, 2021, about 1 percent of our postpaid subscribers were using 3G handsets, and we expect them to transition to newer technologies. We do not expect this transition to have a material impact on our consolidated operating results.

As the wireless industry has matured, future wireless growth will increasingly depend on our ability to offer innovative data services on a wireless network that has sufficient spectrum and capacity to support these innovations. We continue to invest significant capital in expanding our network capacity, as well as obtaining additional spectrum that meets our long-term needs. We participate in FCC spectrum auctions and have been redeploying spectrum previously used for more basic services to support more advanced mobile internet services.

Broadband Technology In 2020, we identified fiber as a core priority for our business, working to expand our footprint and accelerating our historical rate of customer growth. At December 31, 2021, we had nearly 6 million fiber broadband customers, adding more than 1 million during the year. The expansion builds on our recent years' investment to convert to a software-based network, managing the migration of wireline customers to services using our fiber infrastructure to provide broadband technology. Software-based technologies align with our global leadership in software defined network (SDN) and network function virtualization (NFV). This network approach delivers a demonstrable cost advantage in the deployment of next-generation technology over the traditional, hardware-intensive network approach. Our virtualized network is able to support next-generation applications like 5G and broadband-based services quickly and efficiently.

Media

We produce and distribute high-quality video content to take advantage of growing global demand. Our media businesses use their strong brands, distinctive intellectual property and global scale to produce and distribute quality content. As the television industry continues to evolve from a distribution system using satellite and cable offerings to internet streaming video services, we are well-positioned to address and capitalize on these changes, but we face financial risks and new sources of competition associated with these developments. In 2022, we plan to continue providing more personalized services offered directly to consumers through our own distribution and distribution partner channels, including expanding our streaming platform, HBO Max, in certain international territories. AT&T customers in the U.S. that are on certain mobile and broadband plans can bundle with HBO Max included at no additional charge.

Latin America

We believe that the wireless model in the U.S., with accelerating demand for mobile internet service and the associated economic benefits, will be repeated around the world as companies invest in high-speed mobile networks. We acquired Mexican wireless operations in 2015 to establish a seamless, cross-border North American wireless network which now covers an area with over 434 million people and businesses in the United States and Mexico. With the increased capacity from our LTE network, we also expect additional wholesale revenue in the coming years. Our 4G LTE network in Mexico now covers approximately 104 million people and businesses.

BUSINESS OPERATIONS**OPERATING SEGMENTS**

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

Additional information about our segments, including financial information, is included under the heading “Segment Results” in Item 7. and in Note 4 of Item 8.

COMMUNICATIONS

Our Communications segment provides wireless and wireline telecom and broadband services to consumers located in the U.S. and businesses globally. Our Communications services and products are marketed under the AT&T, Cricket, AT&T PREPAIDSM and AT&T Fiber brand names. The Communications segment provided approximately 74% of 2021 segment operating revenues and 81% of our 2021 total segment contribution. This segment contains the Mobility, Business Wireline and Consumer Wireline business units.

Mobility – Our Mobility business unit provides nationwide wireless services to consumers and wholesale and resale wireless subscribers located in the United States by utilizing our network to provide voice and data services, including high-speed internet over wireless devices. We classify our subscribers as either postpaid, prepaid, connected device or reseller. At December 31, 2021, we served 202 million Mobility subscribers, including 82 million postpaid (67 million phone), 19 million prepaid, 6 million reseller and 95 million connected devices. Our Mobility business unit revenue includes the following categories: service and equipment.

Wireless Services

We offer a comprehensive range of high-quality nationwide wireless voice and data communications services in a variety of pricing plans to meet the communications needs of targeted customer categories. Through our FirstNet services, we also provide a nationwide wireless broadband network dedicated to public safety.

Consumers continue to require increasing availability of data-centric services and a network to connect and control those devices. An increasing number of our subscribers are using more advanced integrated and data-centric devices, including embedded computing systems and/or software, commonly called the Internet of Things (IoT). We offer plans that include unlimited features allowing for the sharing of voice, text and data across multiple devices, which attracts subscribers from other providers and helps minimize subscriber churn. Customers in our “connected device” category (e.g., users of monitoring devices and automobile systems) generally purchase those devices from third-party suppliers that buy data access supported by our network. We continue to upgrade our network and coordinate with equipment manufacturers and application developers to further capitalize on the continued growing demand for wireless data services.

We also offer nationwide wireless voice and data communications to certain customers who prefer to pay in advance. These services are offered under the Cricket and AT&T PREPAID brands and are typically monthly prepaid services.

Equipment

We sell a wide variety of handsets, wireless data cards and wireless computing devices manufactured by various suppliers for use with our voice and data services. We also sell accessories, such as carrying cases and hands-free devices. We sell through our own company-owned stores, agents and third-party retail stores. We provide our customers the ability to purchase handsets on an installment basis and the opportunity to bring their own device. Subscribers have been bringing their own devices or retaining their handsets for longer periods, which could continue to impact upgrade activity. Like other wireless service providers, we also provide a limited number of postpaid contract subscribers substantial equipment subsidies to initiate, renew or upgrade service.

Business Wireline – Our Business Wireline business unit provides services to business customers, including multinational corporations, small and mid-sized businesses, governmental and wholesale customers. Our Business Wireline business unit revenue includes the following categories: services and equipment.

Business Services

Business services include data, voice, security, cloud solutions, outsourcing, and managed and professional services. Our more advanced business products allow our customers to create and manage their own internal networks and to access external data networks, and include Virtual Private Networks (VPN), AT&T Dedicated Internet (ADI), and Ethernet and broadband services. We provide collaboration services that utilize our IP infrastructure and allow our customers to utilize the most advanced technology to improve their productivity. We also provide state-of-the-art security solutions like threat management, intrusion detection and other business security applications.

We continue to reconfigure our wireline network to take advantage of the latest technologies and services. We have developed services that rely on our SDN and NFV to enhance business customers' digital agility in a rapidly evolving environment.

Equipment

Equipment revenues include customer premises equipment.

Consumer Wireline – Our Consumer Wireline business unit provides internet, including broadband fiber, and legacy telephony voice communication to customers in the United States by utilizing our IP-based and copper wired network. Our Consumer Wireline business unit revenue includes the following categories: broadband, legacy voice and data services and other service and equipment.

Broadband

We offer broadband and internet services to approximately 16 million customer locations, with 6 million fiber broadband connections at December 31, 2021. With changes in video viewing preferences and the recent work and learn from home trends, we are experiencing increasing demand for high-speed broadband services. Our investment in expanding our industry-leading fiber network positions us to be a leader in wired connectivity.

We believe that our flexible platform with a broadband and wireless connection is the most efficient way to transport direct-to-consumer video experiences both at home and on mobile devices. Through this integrated approach, we can optimize the use of storage in the home as well as in the cloud, while also providing a seamless service for consumers across screens and locations. Our WarnerMedia streaming platform, HBO Max, provides an attractive offering of video options and is driving our direct-to-consumer strategy.

Legacy Voice and Data Services

Revenues from our traditional voice services continue to decline as customers switch to wireless or VoIP services provided by us, cable companies or other internet-based providers. We have responded by offering packages of combined voice and data services, including broadband and video, and intend to continue this strategy during 2022.

Other Services and Equipment

Other service revenues include AT&T U-verse voice services (which use VoIP technology), customer fees and equipment.

Additional information on our Communications segment is contained in the "Overview" section of Item 7.

WARNERMEDIA

Our WarnerMedia segment is comprised of a global media and entertainment company that develops, produces and acquires feature films, television, gaming and other content for monetization in various media outlets including theatrical, its own and third-party basic and premium pay television, free-to-air television, direct-to-consumer services and physical / digital retail. WarnerMedia is organized as an integrated content organization that operates as a single segment. Content creation, distribution, and programming are centrally managed to ensure the highest quality content is available to consumers on the optimal platform or format on a worldwide basis. The WarnerMedia segment provided approximately 23% of 2021 segment operating revenues and 21% of our 2021 total segment contribution. WarnerMedia revenues include the following categories: subscription, content and other and advertising.

On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery. The transaction is expected to close in the second quarter of 2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals. No vote is required by AT&T shareholders.

On December 21, 2021, we entered into an agreement to sell the marketplace component of Xandr, primarily representing the AppNexus business, to Microsoft. The transaction is expected to close in 2022, subject to customary closing conditions.

Subscription

Subscription revenue consists principally of subscriber-based revenue from HBO networks (both traditional linear and legacy streaming on-demand offerings) and the HBO Max streaming platform, as well as its WarnerMedia basic networks. HBO's networks (including Cinemax) are available in the United States and internationally to subscribers through traditional and digital distributors on a premium pay basis and, in certain territories, in the basic television tier, as well as directly to consumers. The HBO Max platform is made available on an over-the-top subscription basis through the internet directly to consumers and through third-party distribution partners. HBO Max launched in the United States in May 2020 with an advertising-free service, in Latin America and the Caribbean in June 2021 and in Sweden, Norway, Denmark, Finland, Spain and Andorra in October 2021, with further international expansion planned for 2022. The WarnerMedia basic television networks are primarily delivered by traditional television distributors, such as cable, satellite, and telecommunications service providers, as well as digital distributors, and are available to subscribers of the distributors for viewing live and on demand through the distributors' services and companion network apps. WarnerMedia's domestic license agreements with distributors are multi-year arrangements that typically provide for packaging and marketing support. Revenues depend on the specific terms of the applicable agreement, which may include subscriber thresholds, volume discounts and other performance-based discounts.

As of December 31, 2021, we had nearly 74 million HBO Max and HBO subscribers worldwide, including nearly 47 million domestic subscribers. Global HBO Max and HBO subscribers consist of domestic and international HBO Max and HBO subscribers, and exclude free trials, basic and Cinemax subscribers. Domestic HBO Max and HBO subscribers consist of U.S. accounts with access to HBO Max (including wholesale subscribers and subscribers receiving access through bundled services with affiliates that may not have signed in) and HBO accounts, and exclude free trials and Cinemax subscribers.

Content and Other

Content revenue consists principally of licensing feature films for initial theatrical exhibition, and films and television programs for traditional television broadcast and distribution via digital platforms, including via free-to-air, basic and premium pay-TV; television syndication; and streaming services. Content revenue also includes home entertainment sales and rentals of film and television products (physical and digital, including premium video-on-demand, transactional video-on-demand and electronic sell-through), publishing and distribution of interactive games entertainment (physical and digital) across all platforms, comic book and other book publishing, and consumer products licensing.

The content produced by WarnerMedia is used across its various branded programming services and distribution platforms, including its traditional linear networks and the HBO Max platform. The television and film programming content produced is also licensed to third parties for use as part of their various video services and platforms. WarnerMedia also acquires television and film programming content from third parties to include as part of its branded services and platforms. Decisions relating to content development and production are dependent upon finding optimal audiences and distribution outlets. In response to the general disruptions to consumer behavior and entertainment options caused by the COVID-19 pandemic, we have adapted by trying variations on traditional theatrical distribution models, such as "day and date" release windowing for certain films for on-demand and theatrical availability and the shortening of the traditional theatrical window for others, and exploring other hybrid models. As consumers demand more and different optionality over how and when to consume their favorite content, traditional distribution models for our business can be expected to continue to adapt and evolve responsively.

Advertising

Advertising revenue consists primarily of advertising arrangements for its basic pay-TV networks and related properties, and includes the advertising-supported tier of HBO Max, which launched in the United States in June 2021. In the United States and internationally, advertising revenues generally depend on the size and demographics of a network's audience delivered to an advertiser, the number of units of time sold and the price per unit. The price per unit of advertising is determined considering factors such as the type of program or network, the level of targeting and/or the time of day the advertising is to be run. Certain advertising inventory is sold in the "upfront" market in advance each year and other inventory is sold in the "scatter" market closer to the time that a program airs. Outside the U.S., advertising is generally sold at a fixed rate for the unit of time sold, determined by the time of day and network.

WarnerMedia's digital properties consist of owned assets and those managed and/or operated for sports leagues where our basic networks hold the related programming rights. Digital properties managed or operated for sports leagues include NBA.com, NBA Mobile and NCAA.com.

Additional information on our WarnerMedia segment is contained in the "Overview" section of Item 7.

LATIN AMERICA

Our Latin America segment provides wireless services in Mexico, and prior to the November 2021 sale of Vrio, video services in Latin America. The Latin America segment provided approximately 3% of 2021 segment operating revenues. Our Latin America services and products are marketed under the AT&T and Unefon brand names. This segment contains the Mexico business unit.

Mexico – We utilize our regional and national wireless networks in Mexico to provide consumer and business customers with wireless data and voice communication services. We divide our revenue into the following categories: service and equipment.

We provide postpaid and prepaid wireless services in Mexico to approximately 20 million subscribers under the AT&T and Unefon brands. Postpaid services allow for (1) no annual service contract for subscribers who bring their own device or purchase a device on installment (the device must be paid in full if the customer chooses to drop their service from AT&T) and (2) service contracts for periods up to 36 months for subscribers who purchase their equipment under the traditional device subsidy model. Plans offer no roaming charges in the United States or Canada, unlimited minutes and messages to the extended AT&T community and unlimited data access to social networking. We also offer prepaid services to customers who prefer to pay in advance.

We sell a wide variety of handsets, including smartphones manufactured by various suppliers for use with our voice and data services. We sell through our own company-owned stores, agents and third-party retail stores.

Additional information on our Latin America segment is contained in the "Overview" section of Item 7.

MAJOR CLASSES OF SERVICE

The following table sets forth the percentage of total consolidated reported operating revenues by any class of service that accounted for 10% or more of our consolidated total operating revenues in any of the last three fiscal years:

	Percentage of Total Consolidated Operating Revenues		
	2021	2020	2019
Communications Segment			
Wireless service ¹	34 %	32 %	30 %
Business service	14	14	14
Equipment	13	10	9
Latin America Segment			
Video Services ²	2	2	2
Wireless service	1	1	1
Equipment	1	1	1
Corporate and Other			
Video services ^{2,3}	9	16	17

¹ Excludes advertising revenues included as Wireless service in our Mobility business unit of \$330, \$291 and \$292 in 2021, 2020 and 2019, respectively.

² U.S. video operations were separated in July 2021 and Vrio was sold in November 2021. See Note 6

³ Excludes advertising revenues included as Video in our sold U.S. video operations of \$909, \$1,718 and \$1,672 in 2021, 2020 and 2019, respectively.

Additional information on our geographical distribution of revenues is contained in Note 4 of Item 8.

GOVERNMENT REGULATION

Wireless communications providers in the United States must be licensed by the FCC to provide communications services at specified spectrum frequencies within defined geographic areas and must comply with the rules and policies governing the use of the spectrum as adopted by the FCC. The FCC's rules have a direct impact on whether the wireless industry has sufficient spectrum available to support the high-quality, innovative services our customers demand. Wireless licenses are issued for a fixed time period, typically ten years, and we must seek renewal of these licenses. While the FCC has generally renewed licenses given to operating companies such as us, the FCC has authority to both revoke a license for cause and to deny a license renewal if a renewal is not in the public interest. Additionally, while wireless communications providers' prices and service offerings are generally not subject to regulation, the federal government and various states periodically consider new regulations and legislation relating to various aspects of wireless services.

The Communications Act of 1934 and other related acts give the FCC broad authority to regulate the U.S. operations of our satellite services, which are licensed by the FCC, and some of WarnerMedia's businesses are also subject to obligations under the Communications Act and related FCC regulations. We continue to support regulatory and legislative measures and efforts at both the federal and state levels to minimize and/or moderate regulatory burdens that are no longer appropriate in a competitive communications market and that inhibit our ability to compete more effectively and offer services wanted and needed by our customers, including initiatives to transition services from traditional networks to all IP-based networks. At the same time, we also seek to ensure that legacy regulations are not further extended to broadband or wireless services, which are subject to vigorous competition.

Our ILEC subsidiaries are subject to regulation by state governments, which have the power to regulate intrastate rates and services, including local, long-distance and network access services, provided such state regulation is consistent with federal law. Some states have eliminated or reduced regulations on our retail offerings. In addition, many states have adopted legislation that enables us to provide IP-based video service through a single statewide or state-approved franchise to offer a competitive video product. These subsidiaries are also subject to the jurisdiction of the FCC with respect to intercarrier compensation, interconnection, and interstate and international rates and services, including interstate access charges. Access charges are a form of intercarrier compensation designed to reimburse our wireline subsidiaries for the use of their networks by other carriers.

Our subsidiaries operating outside the United States are subject to the jurisdiction of national and supranational regulatory authorities in the market where service is provided.

The following discussion highlights significant regulatory issues directly affecting our operations:

Communications Segment

Wireless

The industry-wide deployment of 5G technology, which is needed to meet exploding demand for wireless data, involves modifications of existing cell sites to add equipment supporting new frequencies, like the C-Band and the newly auctioned 3.45 GHz band, increasing the importance of local permitting processes that allow for approving those modifications on reasonable timelines and terms. In June and November 2020, the FCC issued a Declaratory Ruling clarifying the limits on state and local authority to deny applications to modify existing structures to accommodate wireless facilities. Those clarifications facilitate quicker deployment of next-generation wireless equipment and services. The FCC Order was appealed to the Ninth Circuit Court of Appeals, where it remains pending, following multiple requests by the FCC to hold the appeal in abeyance until the Senate confirms a fifth FCC Commissioner. In addition, to date, 31 states and Puerto Rico have adopted legislation to facilitate small cell deployment.

In March 2020, the FCC released its order setting rules for certain spectrum bands (C-band) for 5G operations. In that order, the FCC concluded that C-band 5G services that met the agency's technical limits on power and emissions would not cause harmful interference with aircraft operations. In reliance on that order, AT&T bid a total of \$23,406 and was awarded 1,621 C-band licenses, including 40 MHz nationwide available for deployment in December 2021, with the remainder available for deployment in December 2023. In late 2021, the Federal Aviation Administration (FAA) questioned whether the C-band launch could impact radio altimeter equipment on airplanes, which operate on spectrum bands over 400 MHz away from the spectrum AT&T is launching in 2022. In response, to allow the FAA more time to evaluate, AT&T and Verizon delayed their planned December 2021 5G C-band launch by six weeks and voluntarily committed to a series of temporary, precautionary measures, in addition to deferring turning on a limited number of towers around certain airports. On January 19, 2022, we launched 5G C-band services, subject to these voluntary temporary measures.

Internet

In February 2015, the FCC released an order classifying both fixed and mobile consumer broadband internet access services as telecommunications services, subject to Title II of the Communications Act. The Order, which represented a departure from longstanding bipartisan precedent, significantly expanded the FCC's authority to regulate broadband internet access services, as well as internet interconnection arrangements. In December 2017, the FCC reversed its 2015 decision by reclassifying fixed and mobile consumer broadband services as information services and repealing most of the rules that were adopted in 2015. In lieu of broad conduct prohibitions, the order requires internet service providers to disclose information about their network practices and terms of service, including whether they block or throttle internet traffic or offer paid prioritization. On October 1, 2019, the D.C. Circuit issued a unanimous opinion upholding the FCC's reclassification of broadband as an information service, and its reliance on transparency requirements and competitive marketplace dynamics to safeguard net neutrality. 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. While the court vacated the FCC's express preemption of any state regulation of net neutrality, it stressed that its ruling did not prevent the FCC or ISPs from relying on conflict preemption to invalidate particular state laws that are inconsistent with the FCC's regulatory objectives and framework. The court also remanded the matter to the FCC for further consideration of the impact of reclassifying broadband services as information services on public safety, the Lifeline program, and pole attachment regulation. In October 2020, the FCC adopted an order concluding that those issues did not justify reversing its decision to reclassify broadband services as information services. An appeal of the FCC's remand decision is pending.

Following the FCC's 2017 decision to reclassify broadband internet access services as information services, a number of states adopted legislation to reimpose the very rules the FCC repealed. In some cases, state legislation imposes requirements that go beyond the FCC's February 2015 order. Additionally, some state governors have issued executive orders that effectively reimpose the repealed requirements. Suits have been filed concerning laws in California and Vermont. Both lawsuits were stayed pursuant to agreements by those states not to enforce their laws pending final resolution of all appeals of the FCC's December 2017 order. Because that order is now final, the California suit returned to active status, but the Vermont litigation remained stayed pending resolution of a request in the California suit to enjoin enforcement of the California legislation pending resolution of the California litigation. In January 2021, a U.S. District Court in California denied that request and as a consequence, the California statute now is in effect. The trade associations challenging the statute have appealed the denial of their request for preliminary injunction to the Ninth Circuit, which reached a decision denying that appeal on January 28, 2022. On February 11, 2022, the trade association filed a petition for rehearing with the Ninth Circuit. As a consequence, the agreement of Vermont and the other parties to the Vermont lawsuit to stay that litigation will continue until the Ninth Circuit appeal is resolved or April 15, 2022, whichever is earlier. We expect that going forward additional states may seek to impose net neutrality requirements. We will continue to support congressional action to codify a set of standard consumer rules for the internet.

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. NTIA will establish rules for this program in the first half of 2022. 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 will result 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. Legislative, regulatory and litigation actions could result in significant penalties, 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.

WarnerMedia Segment

WarnerMedia creates, owns and distributes intellectual property, including copyrights, trademarks and licenses of intellectual property. To protect its intellectual property, WarnerMedia relies on a combination of laws and license agreements. Outside the U.S., laws and regulations relating to intellectual property protection and the effective enforcement of these laws and regulations vary greatly from country to country. The European Union is pursuing legislative and regulatory initiatives which could impact WarnerMedia's activities in the EU. Piracy, particularly of digital content, continues to threaten revenues from WarnerMedia's products and services, as well as revenues from our pay TV business, and we work to limit that threat through a combination of approaches, including technological and legislative solutions. Outside the U.S., various laws and regulations, as well as trade agreements with the U.S., also apply to the distribution or licensing of feature films for exhibition in theaters and on broadcast and cable networks. For example, in certain countries, including China, laws and regulations limit the number of foreign films exhibited in such countries in a calendar year.

Additional information relating to regulation of our subsidiaries is contained under the headings "Operating Environment Overview" and "Regulatory Developments" of Item 7.

IMPORTANCE, DURATION AND EFFECT OF LICENSES

Certain of our subsidiaries own or have licenses to various patents, copyrights, trademarks and other intellectual property necessary to conduct business. Many of our subsidiaries also hold government-issued licenses or franchises to provide wireline, satellite or wireless services. Additional information relating to regulation affecting those rights is contained under the heading "Operating Environment Overview," of Item 7. We actively pursue patents, trademarks and service marks to protect our intellectual property within the United States and abroad. We maintain a significant global portfolio of patents, trademarks and service mark registrations. We have also entered into agreements that permit other companies, in exchange for fees and rights, and subject to appropriate safeguards and restrictions, to utilize certain of our patents, trademarks and service marks. As we transition our network from a switch-based network to an IP, software-based network, we have increasingly entered into licensing agreements with software developers.

We periodically receive offers from third parties to obtain licenses for patents and other intellectual rights in exchange for royalties or other payments. We also receive notices asserting that our products or services sold to customers or software-based network functions infringe on their patents and other intellectual property rights. These claims, whether against us directly, such as network functions or against third-party suppliers of products or services that we, in turn, sell to our customers, such as wireless handsets, could require us to pay damages, royalties, stop offering the relevant products or services and/or cease network functions or other activities. While the outcome of any litigation is uncertain, we do not believe that the resolution of any of these infringement claims or the expiration or non-renewal of any of our intellectual property rights would have a material adverse effect on our results of operations.

MAJOR CUSTOMERS

No customer accounted for 10% or more of our consolidated revenues in 2021, 2020 or 2019.

COMPETITION

Competition continues to increase for communications, media entertainment and digital services from traditional and nontraditional competitors. Technological advances have expanded the types and uses of services and products available. In addition, lack of or a reduced level of regulation of comparable legacy services has lowered costs for alternative communications service providers. As a result, we face continuing competition as well as some new opportunities in significant portions of our business.

Wireless We face substantial competition in our wireless businesses. Under current FCC rules, multiple licensees, who provide wireless services on the cellular, PCS, Advanced Wireless Services, 700 MHz and other spectrum bands, may operate in each of our U.S. service areas. Our competitors include two national wireless providers; a larger number of regional providers and resellers of those services; and certain cable companies. In addition, we face competition from providers who offer voice, text messaging and other services as applications on data networks. We are one of four facilities-based providers in Mexico (retail and wholesale), with the most significant market share controlled by América Móvil. We may experience significant competition from companies that provide similar services using other communications technologies and services. While some of these technologies and services are now operational, others are being developed or may be developed. We compete for customers based principally on service/device offerings, price, network quality, coverage area and customer service.

Broadband The desire for high-speed data on demand, including video, is continuing to lead customers to terminate their traditional wired or linear services and use our fiber services or competitors' wireless, satellite and internet-based services. In most U.S. markets, we compete for customers with large cable companies for high-speed internet and voice services, wireless broadband providers, and other smaller telecommunications companies for both long-distance and local services.

Legacy Voice and Data We continue to lose legacy voice and data subscribers due to competitors (e.g., wireless, cable and VoIP providers) who can provide comparable services at lower prices because they are not subject to traditional telephone industry regulation (or the extent of regulation they are subject to is in dispute), utilize different technologies or promote a different business model (such as advertising-based). In response to these competitive pressures, for a number of years we have used a bundling strategy that rewards customers who consolidate their services with us. We continue to focus on bundling services and will continue to develop innovative and integrated services that capitalize on our wireless and IP-based network.

Additionally, we provide local and interstate telephone and switched services to other service providers, primarily large internet service providers using the largest class of nationwide internet networks (internet backbone), wireless carriers, other telephone companies, cable companies and systems integrators. These services are subject to additional competitive pressures from the development of new technologies, the introduction of innovative offerings and increasing satellite, wireless, fiber-optic and cable transmission capacity for services. We face a number of international competitors, including Orange Business Services, BT, Singapore Telecommunications Limited and Verizon Communications Inc., as well as competition from a number of large systems integrators.

Media Our WarnerMedia businesses face shifts in consumer viewing patterns, increased competition from streaming services and the expansion by other companies, in particular, technology companies. In May 2020, we launched HBO Max, our platform for premium content and video offered directly to consumers, as well as through our traditional distributors.

WarnerMedia competes with other studios and television production groups and independents to produce and sell programming. Many television networks and online platforms have affiliated production companies from which they are increasingly obtaining their programming, which has reduced their demand for programming from non-affiliated production companies. WarnerMedia also faces competition from other television networks, online platforms, and premium pay television services for distribution and marketing of its television networks and premium pay and basic tier television services by affiliates.

Our WarnerMedia businesses compete with other production companies and studios for the services of producers, directors, writers, actors and others and for the acquisition of literary properties. In recent years, technology companies also have begun to produce programming and compete with WarnerMedia for talent and property rights.

Advertising The increased amount of consumer time spent online and on mobile activities has resulted in the shift of advertising budgets away from traditional television to digital advertising. WarnerMedia's advertising-supported television networks and digital properties compete with streaming services, other networks and digital properties, print, radio and other media. Our programmatic advertising business faces competition from a variety of technology companies. Similar to all participants in the advertising technology sector, we contend with the dominance of Google, as well as the influence of Facebook, whose practices may result in the decreased ability and willingness of advertisers and programmers to adopt programmatic solutions offered by alternative suppliers. In December 2021, we entered into an agreement to sell the marketplace component of Xandr (see Note 6).

RESEARCH AND DEVELOPMENT

AT&T scientists and engineers conduct research in a variety of areas, including IP networking, advanced network design and architecture, network and cyber security, network operations support systems, video platform development and data analytics. The majority of the development activities are performed to create new services and to invent tools and systems to manage secure and reliable networks for us and our customers. Research and development expenses were \$1,522 in 2021, \$1,210 in 2020, and \$1,276 in 2019.

HUMAN CAPITAL

Number of Employees As of January 31, 2022, we employed approximately 203,000 persons.

Employee Development We believe our success depends on our employees' success and that all employees must have the skills they need to thrive. We offer training and elective courses that give employees the opportunity to enhance their skills. We also intend to help cultivate the next generation of talent that will lead our company into the future by providing employees with educational opportunities through our award-winning internal training organization, AT&T University.

Labor Contracts Approximately 37% of our employees are represented by the Communications Workers of America (CWA), the International Brotherhood of Electrical Workers (IBEW) or other unions. After expiration of the collective bargaining agreements, work stoppages or labor disruptions may occur in the absence of new contracts or other agreements being reached. The main contracts included the following: A contract covering approximately 12,000 Mobility employees in 36 states and the District of Columbia is set to expire in February 2022. A contract covering approximately 6,000 wireline employees in five Midwest states that was set to expire in April 2022 was extended for a four-year period until April 2026. A contract covering approximately 3,000 MW IBEW employees is set to expire in June 2022. A contract covering approximately 2,000 AT&T Corp. employees nationwide that was set to expire in April 2022 was extended for a four-year period until April 2026. A contract covering approximately 170 Teamsters Alascom employees in Alaska is set to expire in February 2022.

Compensation and Benefits In addition to salaries, we provide a variety of benefit programs to help meet the needs of our employees. These programs cover active and former employees and may vary by subsidiary and region. These programs include 401(k) plans, pension benefits, and health and welfare benefits, among many others. In addition to our active employee base, at December 31, 2021, we had approximately 512,000 retirees and dependents who were eligible to receive retiree benefits.

We review our benefit plans to maintain competitive packages that reflect the needs of our workforce. We also adapt our compensation model to provide fair and inclusive pay practices across our business. We are committed to pay equity for employees who hold the same jobs, work in the same geographic area, and have the same levels of experience and performance.

Employee Safety We provide our employees access to flexible and convenient health and welfare programs and workplace accommodations. In response to the COVID-19 pandemic, we consulted with medical professionals to institute policies that best protected our employees and their families, including a policy that requires the vast majority of our employees to be vaccinated. We have prioritized self-care and emphasized a focus on wellness, providing personal protective equipment, flexible scheduling or time-off options and implementing technologies to enhance the necessary remote-work environment. As we look to life and operations beyond the pandemic, we are revising our business models to support flexible office space and at-home productivity for many employees on a permanent basis.

Diversity, Equity and Inclusion We believe that championing diversity and fostering inclusion do more than just make us a better company, they contribute to a world where people are empowered to be their very best. That is why one of our core values is to stand for equality and why our mission is to inspire human progress through the power of communication and entertainment. This focus on building a more diverse and inclusive workforce is underpinned by the unwavering commitment to ensure that employees from any and every segment of society are treated with fairness and provided equal opportunities to advance in the company.

To have a diverse and inclusive workforce, we have put an emphasis on attracting and hiring talented people who represent a mix of backgrounds, identities and experiences. Across the AT&T family of companies, we have employee groups that reflect our diverse workforce. These groups are not only organized around women, people of color, LGBTQ+ individuals, people with disabilities and veterans, but also around professionals who are experienced or interested in cybersecurity, engineering, innovation, environmental issues, project management and media and entertainment technology. When everyone's unique story is celebrated, we are able to connect, create and innovate in real and meaningful ways. It is important that our employees feel valued, have a sense of belonging and are fully engaged in our success.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this document, including the matters contained under the caption "Cautionary Language Concerning Forward-Looking Statements," you should carefully read the matters described below. We believe that each of these matters could materially affect our business. We recognize that most of these factors are beyond our ability to control and therefore we cannot predict an outcome.

Macro-economic Factors:**Adverse changes in the U.S. securities markets, interest rates and medical costs could materially increase our benefit plan costs and future funding requirements.**

Our costs to provide current benefits and funding for future benefits are subject to increases, primarily due to continuing increases in medical and prescription drug costs, and can be affected by lower returns on assets held by our pension and other benefit plans, which are reflected in our financial statements for that year. In calculating the recognized benefit costs, we have made certain assumptions regarding future investment returns, interest rates and medical costs. These assumptions could change significantly over time and could be materially different than originally projected. Lower than assumed investment returns, a decline in interest rates with a corresponding increase in our benefit obligations, and higher than assumed medical and prescription drug costs will increase expenses.

The Financial Accounting Standards Board requires companies to recognize the funded status of defined benefit pension and postretirement plans as an asset or liability in their statement of financial position and to recognize changes in that funded status in the year in which the changes occur. We have elected to reflect the annual adjustments to the funded status in our consolidated statement of income. Therefore, an increase in our costs or adverse market conditions will have a negative effect on our operating results.

Significant adverse changes in capital markets could result in the deterioration of our defined benefit plans' funded status and result in increased contribution requirements for such plans, which could be material.

Inflationary pressures on costs, such as inputs for devices we sell and network components, labor and distribution costs may impact our network construction, our financial condition or results of operations.

As a provider of telecommunications and technology services, we sell handsets, wireless data cards, wireless computing devices and customer premises equipment manufactured by various suppliers for use with our voice and data services and depend on suppliers to provide us, directly or through other suppliers, with items such as network equipment, customer premises equipment, and wireless-related equipment such as mobile hotspots, handsets, wirelessly enabled computers, wireless data cards and other connected devices for our customers. In 2021 and the early part of 2022, the costs of these inputs and the costs of labor necessary to develop and maintain our networks and our products and services have rapidly increased. In addition, many of these inputs are subject to price fluctuations from a number of factors, including, but not limited to, market conditions, demand for raw materials used in the production of these devices and network components, weather, climate change, energy costs, currency fluctuations, supplier capacities, governmental actions, import and export requirements (including tariffs), and other factors beyond our control. Although we are unable to predict the impact on our ability to source materials in the future, we expect these supply pressures to continue into 2022. We also expect the pressures of input cost inflation to continue into 2022.

Our attempts to offset these cost pressures, such as through increases in the selling prices of some of our products and services, may not be successful. Higher product prices may result in reductions in sales volume. Consumers may be less willing to pay a price differential for our products and may increasingly purchase lower-priced offerings, or may forego some purchases altogether, during an economic downturn. To the extent that price increases are not sufficient to offset these increased costs adequately or in a timely manner, and/or if they result in significant decreases in sales volume, our business, financial condition or operating results may be adversely affected. Furthermore, we may not be able to offset any cost increases through productivity and cost-saving initiatives.

Adverse changes in global financial markets could limit our ability and our larger customers' ability to access capital or increase the cost of capital needed to fund business operations.

During 2021, uncertainty surrounding global growth rates and the impact of the COVID-19 pandemic continued to produce volatility in the credit, currency and equity markets. Volatility may affect companies' access to the credit markets, leading to higher borrowing costs, or, in some cases, the inability to fund ongoing operations. In addition, we contract with large financial institutions to support our own treasury operations, including contracts to hedge our exposure on interest rates and foreign exchange and the funding of credit lines and other short-term debt obligations, including commercial paper. These financial institutions face stricter capital-related and other regulations in the United States and Europe, as well as ongoing legal and financial issues concerning their loan portfolios, which may hamper their ability to provide credit or raise the cost of providing such credit.

The U.K. Financial Conduct Authority, which regulates LIBOR, has announced that it intends to phase out LIBOR in 2023. Although our securities may provide for alternative methods of calculating the interest rate payable on such indebtedness, uncertainty as to the extent and manner of future changes may adversely affect the current trading market for LIBOR-based securities and the value of variable rate indebtedness in general. A company's cost of borrowing is also affected by evaluations given by various credit rating agencies and these agencies have been applying tighter credit standards when evaluating debt levels and future growth prospects. While we have been successful in continuing to access the credit and fixed income markets when needed, adverse changes in the financial markets could render us either unable to access these markets or able to access these markets only at higher interest costs and with restrictive financial or other conditions, severely affecting our business operations. Additionally, downgrades of our credit rating by the major credit rating agencies could increase our cost of borrowing and also impact the collateral we would be required to post under certain agreements we have entered into with our derivative counterparties, which could negatively impact our liquidity. Further, valuation changes in our derivative portfolio due to interest rates and foreign exchange rates could require us to post collateral and thus may negatively impact our liquidity.

Our international operations have increased our exposure to political instability, to changes in the international economy and to the level of regulation on our business and these risks could offset our expected growth opportunities.

We have international operations, including in Mexico, and worldwide through WarnerMedia's content distribution. We need to comply with a wide variety of complex local laws, regulations and treaties. We are exposed to restrictions on cash repatriation, foreign exchange controls, fluctuations in currency values, changes in relationships between U.S. and foreign governments, trade restrictions including potential tariffs, differences in intellectual property protection laws, and other regulations that may affect materially our earnings. Our Mexico operations, in particular, rely on a continuation of a regulatory regime that fosters competition. While our foreign operations represent significant opportunities to sell our services, a number of foreign countries where we operate have experienced unstable growth patterns, increased inflation, currency devaluation, foreign exchange controls, instability in the banking sector and high unemployment. Should these conditions persist, our ability to offer service in one or more countries could be adversely affected and customers in these countries may be unable to purchase the services we offer or pay for services already provided.

In addition, operating in foreign countries also typically involves participating with local businesses, either to comply with local laws or, for example, to enhance product marketing, deploy networks or execute on other capital projects. Involvement with foreign firms exposes us to the risk of being unable to control the actions of those firms and therefore exposes us to risks associated with our obligation to comply with the Foreign Corrupt Practices Act (FCPA). Violations of the FCPA could have a material adverse effect on our operating results.

Industry-wide Factors:

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

The COVID-19 pandemic and resulting mitigation measures have caused, and may continue to cause, a negative effect on our operating results. At the onset in 2020, mitigation measures caused sports leagues to modify their seasons and suspend certain operations, which adversely affected our advertising revenues and, resulted in contract disputes concerning carriage rights that caused us to incur expenses relating to certain of these sporting events notwithstanding their cancellation. The closure or avoidance of theaters, and the interruptions in movie production and other programming caused by COVID-19 are expected to continue to impact the timing of revenues and may cause a loss of revenue to our WarnerMedia business over the long term. The COVID-19 pandemic also drove higher costs for our WarnerMedia business in 2021 based on the hybrid distribution model for releasing films in 2021 and costs associated with safety measures put in place to help provide a safe environment for content production. If the mitigation measures or the associated effects are prolonged, we expect business customers in industries most significantly impacted will continue to reduce or terminate services, having a negative effect on the performance of our Business Wireline business unit. Further, concerns over the COVID-19 pandemic could again result in the closure of many of our retail stores, temporarily or permanently, and deter customers from accessing our stores even as the pandemic subsides. These pandemic concerns may also result in continued impact to our customers' ability to pay for our products and services. We may also continue to see significant impact on roaming revenues due to a downturn in international travel. The COVID-19 pandemic has caused and could further cause reduced staffing levels at our call centers and field operations, resulting in delays in service. Further reductions in staffing levels could additionally limit our ability to provide services, adversely impacting our competitive position. We may also incur significantly higher expenses attributable to infrastructure investments required to meet higher network utilization from more customers consuming bandwidth from changes in work from home trends; extended cancellation periods; and increased labor costs if the COVID-19 pandemic continues for an extended period.

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

Changes to federal, state and foreign government regulations and decisions in regulatory proceedings, as well as private litigation, could further increase our operating costs and/or alter customer perceptions of our operations, which could materially adversely affect us.

Our subsidiaries providing wired services are subject to significant federal and state regulation while many of our competitors are not. In addition, our subsidiaries and affiliates operating outside the United States are also subject to the jurisdiction of national and supranational regulatory authorities in the market where service is provided. Our wireless and various video subsidiaries are regulated to varying degrees by the FCC and in some instances, by state and local agencies. Adverse regulations and rulings by the FCC relating to broadband and wireless deployment could impede our ability to manage our networks and recover costs and lessen incentives to invest in our networks. The continuing growth of IP-based services, especially when accessed by wireless devices, has created or potentially could create conflicting regulation between the FCC and various state and local authorities, which may involve lengthy litigation to resolve and may result in outcomes unfavorable to us. In addition, in response to the FAA questioning whether our 5G C-band launch could impact radio altimeter equipment on airplanes, we voluntarily committed to a series of temporary, precautionary measures, in addition to deferring turning on a limited number of towers around certain airports to allow the FAA more time to evaluate. The FAA's continued evaluation may impact our planned 5G C-band launch in certain areas. In addition, increased public focus on a variety of issues related to our operations, such as privacy issues, government requests or orders for customer data, and concerns about global climate changes, have led to proposals or new legislation at state, federal and foreign government levels to change or increase regulation on our operations. Enactment of new privacy laws and regulations could, among other things, adversely affect our ability to collect and offer targeted advertisements or result in additional costs of compliance or litigation. Should customers decide that our competitors offer a more customer-friendly environment, our competitive position, results of operations or financial condition could be materially adversely affected.

Effects of climate change may impose risk of damage to our infrastructure, our ability to provide services, and may cause changes in federal, state and foreign government regulation, all of which may result in potential adverse impact to our financial results.

Extreme weather events precipitated by long-term climate change have the potential to directly damage network facilities or disrupt our ability to build and maintain portions of our network and could potentially disrupt suppliers' ability to provide products and services required to provide reliable network coverage. Any such disruption could delay network deployment plans, interrupt service for our customers, increase our costs and have a negative effect on our operating results. The potential physical effects of climate change, such as increased frequency and severity of storms, floods, fires, freezing conditions, sea-level rise, and other climate-related events, could adversely affect our operations, infrastructure, and financial results. Operational impacts resulting from the potential physical effects of climate change, such as damage to our network infrastructure, could result in increased costs and loss of revenue. We could incur significant costs to improve the climate resiliency of our infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We are not able to accurately predict the materiality of any potential losses or costs associated with the physical effects of climate change.

Further, customers, consumers, investors and other stakeholders are increasingly focusing on environmental issues, including climate change, water use, deforestation, plastic waste, and other sustainability concerns. Concern over climate change or other environmental, social and governance (ESG) matters may result in new or increased legal and regulatory requirements to reduce or mitigate impacts to the environment and reduce the impact of our business on climate change. Further, climate change regulations may require us to alter our proposed business plans or increase our operating costs due to increased regulation or environmental considerations, and could adversely affect our business and reputation.

Continuing growth in and the converging nature of wireless and broadband services will require us to deploy significant amounts of capital and require ongoing access to spectrum in order to provide attractive services to customers.

Wireless and broadband services are undergoing rapid and significant technological changes and a dramatic increase in usage, in particular, the demand for faster and seamless usage of data, including video, across mobile and fixed devices. The COVID-19 pandemic has accelerated these changes and also resulted in higher network utilization, as more customers consume bandwidth from changes in work from home trends. We must continually invest in our networks in order to improve our wireless and broadband services to meet this increasing demand and changes in customer expectations, while remaining competitive.

Improvements in these services depend on many factors, including continued access to and deployment of adequate spectrum and the capital needed to expand our wireline network to support transport of these services. In order to stem broadband subscriber losses to cable competitors in our non-fiber wireline areas, we have been expanding our all-fiber wireline network. We must maintain and expand our network capacity and coverage for transport of data, including video, and voice between cell and fixed landline sites. To this end, we participate in spectrum auctions and continue to deploy software and other technology advancements in order to efficiently invest in our network.

Network service enhancements and product launches may not occur as scheduled or at the cost expected due to many factors, including delays in determining equipment and wireless handset operating standards, supplier delays, software issues, increases in network and handset component costs, regulatory permitting delays for tower sites or enhancements, or labor-related delays. Deployment of new technology also may adversely affect the performance of the network for existing services. If we cannot acquire needed spectrum or deploy the services customers desire on a timely basis with acceptable quality and at reasonable costs, then our ability to attract and retain customers, and, therefore, maintain and improve our operating margins, could be materially adversely affected.

Increasing competition for wireless customers could materially adversely affect our operating results.

We have multiple wireless competitors in each of our service areas and compete for customers based principally on service/device offerings, price, network quality, coverage area and customer service. In addition, we are facing growing competition from providers offering services using advanced wireless technologies and IP-based networks. We expect market saturation to continue to cause the wireless industry's customer growth rate to moderate in comparison with historical growth rates, leading to increased competition for customers. Our share of industry sales could be reduced due to aggressive pricing strategies pursued by competitors. We also expect that our customers' growing demand for high-speed video and data services will place constraints on our network capacity. These competition and capacity constraints will continue to put pressure on pricing and margins as companies compete for potential customers. Our ability to respond will depend, among other things, on continued improvement in network quality and customer service and our ability to price our products and services competitively as well as effective marketing of attractive products and services. These efforts will involve significant expenses and require strategic management decisions on, and timely implementation of, equipment choices, network deployment and service offerings.

Intellectual property rights may be adversely affected by piracy or be inadequate to take advantage of business opportunities, such as new distribution platforms, which may materially adversely affect our operations.

Increased piracy of video content, products and other intellectual property, particularly in our foreign WarnerMedia operations, will decrease revenues. Technological developments have made it easier to reproduce and distribute high-quality unauthorized copies of content. Piracy is particularly prevalent in countries that lack effective copyright and other legal protections or enforcement measures and thieves can attract users throughout the world. Effective intellectual property protection may not be available in every country where we operate. We may need to spend significant amounts of money to protect our rights. We are also increasingly negotiating broader licensing agreements to expand our ability to use new methods to distribute content to customers. Any impairment of our intellectual property rights, including due to changes in U.S. or foreign intellectual property laws or the absence of effective legal protections or enforcement measures, or our inability to negotiate broader distribution rights, could materially adversely impact our operations.

Incidents leading to damage to our reputation, and any resulting lawsuits, claims or other legal proceedings, could have a material adverse effect on our business.

We believe that our brand image, awareness and reputation strengthen our relationship with consumers and contribute significantly to the success of our business. We strive to create a culture in which our colleagues act with integrity and respect and feel comfortable speaking up to report instances of misconduct or other concerns. Our ability to attract and retain employees is highly dependent upon our commitment to a diverse and inclusive workplace, ethical business practices and other qualities. Acts of misconduct by any employee, and particularly by senior management, could erode trust and confidence and damage our reputation. Negative public opinion could result from actual or alleged conduct by us or those currently or formerly associated with us, and from any number of activities or circumstances, including operations, employment-related offenses (such as sexual harassment and discrimination), regulatory compliance and actions taken by regulators or others in response to such conduct. We have in the past been, and may in the future be, named as a defendant in lawsuits, claims and other legal proceedings that arise in the ordinary course of our business based on alleged acts of misconduct by employees. These actions seek, among other things, compensation for alleged personal injury (including claims for loss of life), workers' compensation, employment discrimination, sexual harassment, workplace misconduct, wage and hour claims and other employment-related damages, compensation for breach of contract, statutory or regulatory claims, negligence or gross negligence, punitive damages, consequential damages, and civil penalties or other losses or injunctive or declaratory relief. The outcome of any allegations, lawsuits, claims or legal proceedings is inherently uncertain and could result in significant costs, damage to our brands or reputation and diversion of management's attention from our business. Additionally, our news organization makes editorial judgments around what is covered and how it is covered in the normal course of business. Although we have disciplined practices that are used to make such editorial judgments, it is possible that our news coverage alienates some consumers, adversely impacts our reputation and therefore impacts demand for our other products and services. Any damage to our reputation or payments of significant amounts, even if reserved, could materially and adversely affect our business, reputation, financial condition, results of operations and cash flows.

Company-Specific Financial Factors:**Adoption of new software-based technologies may involve quality and supply chain issues and could increase capital costs.**

The communications and digital entertainment industry has experienced rapid changes in the past several years. An increasing number of our customers are using mobile devices as the primary means of viewing video and an increasing number of nontraditional video providers are developing content and technologies to satisfy the desire for video entertainment demand. In addition, businesses and government bodies are broadly shifting to wireless-based services for homes and infrastructure to improve services to their respective customers and constituencies. We have spent, and continue to spend, significant capital to shift our wired network to software-based technology to manage this demand and are expanding 5G wireless technology to address these consumer demands. We are entering into a significant number of software licensing agreements and working with software developers to provide network functions in lieu of installing switches or other physical network equipment in order to respond to rapid developments in video and wireless demand. While software-based functionality can be changed much more quickly than, for example, physical switches, the rapid pace of development means that we may increasingly need to rely on single-source and software solutions that have not previously been deployed in production environments. Should this software not function as intended or our license agreements provide inadequate protection from intellectual property infringement claims, we could be forced to either substitute (if available) or else spend time to develop alternative technologies at a much higher cost and incur harm to our reputation for reliability, and, as a result, our ability to remain competitive could be materially adversely affected.

We depend on various suppliers to provide equipment to operate our business and satisfy customer demand and interruption or delay in supply can adversely impact our operating results.

We depend on suppliers to provide us, directly or through other suppliers, with items such as network equipment, customer premises equipment, and wireless-related equipment such as mobile hotspots, handsets, wirelessly enabled computers, wireless data cards and other connected devices for our customers. These suppliers could fail to provide equipment on a timely basis, or fail to meet our performance expectations, for a number of reasons, including difficulties in obtaining export licenses for certain technologies, inability to secure component parts, general business disruption, natural disasters, safety issues, economic and political instability and public health emergencies such as the COVID-19 pandemic. The COVID-19 pandemic has caused, and may again cause, delays in the development, manufacturing (including the sourcing of key components) and shipment of products. In certain limited circumstances, suppliers have been unable to supply products in a timely fashion. In such limited circumstances, we have been unable to provide products and services precisely as and when requested by our customers. It is possible that, in some circumstances, we could be forced to switch to a different key supplier. Because of the cost and time lag that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to, or chose to, replace the products of one or more key suppliers with products from another source, especially if the replacement became necessary on short notice. Any such disruption could increase our costs, decrease our operating efficiencies and have a negative effect on our operating results.

Increasing costs to provide services and failure to renew agreements on favorable terms or at all, could adversely affect operating margins.

Our operating costs, including customer acquisition and retention costs, could continue to put pressure on margins and customer retention levels.

A number of our competitors offering comparable legacy services that rely on alternative technologies and business models are typically subject to less (or no) regulation, and therefore are able to operate with lower costs. These competitors generally can focus on discrete customer segments since they do not have regulatory obligations to provide universal service. Also, these competitors have cost advantages compared to us, due in part to operating on newer, more technically advanced and lower-cost networks with a nonunionized workforce, lower employee benefits and fewer retirees. We are transitioning services from our old copper-based network and seeking regulatory approvals, where needed, at both the state and federal levels. If we do not obtain regulatory approvals for our network transition or obtain approvals with onerous conditions, we could experience significant cost and competitive disadvantages.

Our WarnerMedia operations, which create and license content to other providers, may experience increasing difficulties securing favorable terms, including those related to pricing, positioning and packaging, during contract negotiations, which may lead to blackouts of WarnerMedia programming, and WarnerMedia may face greater difficulty in achieving placement of its networks and premium pay television services in offerings by third parties.

We may not realize or sustain the expected benefits from our business transformation initiatives, and these efforts could have a materially adverse effect on our business, operations, financial condition, results of operations and competitive position.

We have been and will be undertaking certain transformation initiatives, which are designed to reduce costs, streamline and modernize distribution and customer service, remove redundancies and simplify and improve processes and support functions. Our focus is on supporting added customer value with an improved customer experience. We intend for these efficiencies to enable increased investments in our strategic areas of focus, which consist of improving broadband connectivity (for example, fiber and 5G), developing software-based entertainment (such as HBO Max) and utilizing WarnerMedia's storytelling legacy to engage consumers and gain insights across multiple distribution points. We also expect these initiatives to drive efficiencies and improved margins. If we do not successfully manage and execute these initiatives, or if they are inadequate or ineffective, we may fail to meet our financial goals and achieve anticipated benefits, improvements may be delayed, not sustained or not realized, and our business, operations and competitive position could be adversely affected.

If our efforts to attract and retain subscribers to our HBO Max platform and to develop compelling choices are not successful, our business will be adversely affected.

HBO Max's future success is subject to inherent uncertainty. Our ability to continue to attract subscribers to the HBO Max platform will depend in part on our ability to consistently provide subscribers with compelling content choices, as well as a quality experience for selecting and viewing those content choices. Furthermore, the relative service levels, content offerings, promotions, and pricing and related features of competitors to HBO Max may adversely impact our ability to attract and retain subscribers. If consumers do not perceive our offerings to be of value, including if we introduce new or adjust existing features, adjust pricing or offerings, terminate or modify promotional or trial period offerings, experience technical issues, or change the mix of content in a manner that is not favorably received by them, we may not be able to attract and retain subscribers. In addition, many subscribers to these types of offerings originate from word-of-mouth advertising from then existing subscribers. If our efforts to satisfy subscribers are not successful, including because we terminate or modify promotional or trial-period offerings or because of technical issues with the platform, we may not be able to attract or retain subscribers, and as a result, our ability to maintain and/or grow our business will be adversely affected.

If subscribers cancel or decide to not continue subscriptions for any reason, including a perception that they do not use it sufficiently, the need to cut household expenses, unsatisfactory availability of content, promotions or trial-period offers expire or are modified, competitive services or promotions provide a better value or experience, and customer service or technical issues are not satisfactorily resolved, our business will be adversely affected. We must continually add new subscribers both to replace canceled subscribers and to grow our business. If we do not grow as expected, given, in particular, that a significant portion of our content costs are committed and contracted over several years based on minimum subscriber delivery levels, we may not be able to adjust our expenditures or increase our (per subscriber) revenues commensurate with the lowered growth rate such that our margins, liquidity and results of operations may be adversely impacted. If we are unable to successfully compete with competitors in retaining and attracting new subscribers, our business will be adversely affected. Further, if excessive numbers of subscribers do cancel, we may be required to incur significantly higher marketing expenditures or offer significantly more generous promotions to replace these subscribers with new subscribers.

Unfavorable litigation or governmental investigation results could require us to pay significant amounts or lead to onerous operating procedures.

We are subject to a number of lawsuits both in the United States and in foreign countries, including, at any particular time, claims relating to antitrust; patent infringement; wage and hour; personal injury; customer privacy violations; regulatory proceedings; and selling and collection practices. We also spend substantial resources complying with various government standards, which may entail related investigations and litigation. In the wireless area, we also face current and potential litigation relating to alleged adverse health effects on customers or employees who use such technologies including, for example, wireless devices. We may incur significant expenses defending such suits or government charges and may be required to pay amounts or otherwise change our operations in ways that could materially adversely affect our operations or financial results.

Cyberattacks, equipment failures, natural disasters and terrorist acts may materially adversely affect our operations.

Cyberattacks, major equipment failures or natural disasters, such as flooding, hurricanes and forest fires, whether caused by discrete severe weather events and/or precipitated by long-term climate change and earthquakes, software problems, data and privacy breaches, terrorist acts or other breaches of network or IT security that affect our networks, including software and switches, microwave links, third-party-owned local and long-distance networks on which we rely, our cell sites or other equipment, our satellites, our customer account support and information systems, or employee and business records could have a material adverse effect on our operations. Our wired network in particular is becoming increasingly reliant on software as it evolves to handle increasing demands for video transmission. While we have been subject to security incidents or cyberattacks, these did not result in a material adverse effect on our operations. However, as such attacks continue to increase in scope and frequency, we may be unable to prevent a significant attack in the future. Our inability to deploy or operate our networks or customer support systems or protect sensitive personal information of customers or employees or valuable technical and marketing information could result in significant expenses, potential legal liability, a loss of current or future customers and reputation damage, any of which could have a material adverse effect on our operations and financial condition.

Increases in our debt levels to fund spectrum purchases, or other strategic decisions could adversely affect our ability to finance future debt at attractive rates and reduce our ability to respond to competition and adverse economic trends.

We have incurred debt to fund significant acquisitions, as well as spectrum purchases needed to compete in our industry. While we believe such decisions were prudent and necessary to take advantage of both growth opportunities and respond to industry developments, we did experience credit-rating downgrades from historical levels. Banks and potential purchasers of our publicly traded debt may decide that these strategic decisions and similar actions we may take in the future, as well as expected trends in the industry, will continue to increase the risk of investing in our debt and may demand a higher rate of interest, impose restrictive covenants or otherwise limit the amount of potential borrowing. Additionally, our capital allocation plan is focused on, among other things, managing our debt level going forward. Any failure to successfully execute this plan could adversely affect our cost of funds, liquidity, competitive position and access to capital markets.

Our business may be impacted by changes in tax laws and regulations, judicial interpretations of same or administrative actions by federal, state, local and foreign taxing authorities.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In many cases, the application of existing, newly enacted or amended tax laws (such as the U.S. Tax Cuts and Jobs Act of 2017) may be uncertain and subject to differing interpretations, especially when evaluated against ever changing products and services provided by our global telecommunications, media, and technology businesses. In addition, tax legislation has been introduced or is being considered in various jurisdictions that could significantly impact our tax rate, tax liabilities, and carrying value of deferred tax assets or deferred tax liabilities. Any of these changes could materially impact our financial performance and our tax provision, net income and cash flows.

We are also subject to ongoing examinations by taxing authorities in various jurisdictions. Although we regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of provisions for taxes, there can be no assurance as to the outcome of these examinations. In the event that we have not accurately or fully described, disclosed or determined, calculated or remitted amounts that were due to taxing authorities or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, we could be subject to additional taxes, penalties and interest, which could materially impact our business, financial condition and operating results.

The proposed separation and combination of our WarnerMedia business with Discovery may not be completed on the currently contemplated timeline or at all.

On May 17, 2021, we announced a definitive agreement with Discovery, Inc. (Discovery) to combine our WarnerMedia business with Discovery (the “WarnerMedia/Discovery Transaction”), which, if consummated, would result in our stockholders owning 71% of the combined company’s Discovery’s outstanding common stock on a fully diluted basis (computed using the treasury stock method). The WarnerMedia/Discovery Transaction is expected to close in the second quarter of 2022, subject to certain customary closing conditions including, among others, the approval of Discovery’s stockholders, the receipt of certain regulatory approvals and the finalization of a private letter ruling from the Internal Revenue Service (IRS) to the effect that the separation of the WarnerMedia business and certain related transactions will qualify for tax-free treatment under the Internal Revenue Code (the “Private Letter Ruling”).

There can be no assurance that such closing conditions will be satisfied or waived, or that the WarnerMedia/Discovery Transaction will be consummated. Required regulatory approvals may not be received in a timely manner or at all. Further, while we have entered into voting agreements with certain stockholders of Discovery representing, in the aggregate, approximately 43% of the voting power of the issued and outstanding shares of Discovery capital stock as of May 14, 2021, pursuant to which they have agreed to vote in favor of certain aspects of the WarnerMedia/Discovery Transaction, we cannot assure you that the approval of Discovery’s stockholders will be obtained. We and Discovery may be subject to shareholder lawsuits, or other actions filed in connection with or in opposition to the WarnerMedia/Discovery Transaction, which could prevent or delay the consummation of the WarnerMedia/Discovery Transaction.

If the distribution of WarnerMedia, together with certain related transactions, were to fail to qualify for non-recognition treatment for U.S. federal income tax purposes, then we could be subject to significant tax liability.

Under the Merger Agreement, receipt of the Private Letter Ruling from the IRS is a condition to close the WarnerMedia/Discovery Transaction. On December 28, 2021, AT&T received a favorable Private Letter Ruling from the IRS. As long as the Private Letter Ruling continues to be in full force and effect until closing, AT&T expects that the receipt of the Private Letter Ruling satisfies the closing condition for an IRS ruling. While not anticipated, situations where a Private Letter Ruling could cease to be in full force and effect may include situations where there is a material change in applicable tax law, or a material change to the terms or structure of the transaction. Reliance on the ruling is also subject to certain facts, representations and undertakings made in connection with the request for the ruling.

Accordingly, the IRS or another applicable tax authority could determine on audit that the distribution by us of WarnerMedia to our stockholders and certain related transactions should be treated as taxable transactions if it determines that any of these facts, representations or undertakings are incorrect or have been violated. We may be entitled to indemnification from Discovery in the case of certain breaches of representations or undertakings by Discovery under the tax matters agreement related to the WarnerMedia/Discovery Transaction. However, we could potentially be required to pay such tax prior to reimbursement from Discovery, and such indemnification is subject to Discovery's credit risk. If the IRS or another tax authority were to so conclude, there could be a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, in the event that we are unable to effectuate a Spinco Debt Exchange, we could incur significant incremental tax liability associated with the WarnerMedia/Discovery Transaction. If certain conditions are met, Discovery generally will be responsible for 50% of such incremental tax liability that does not exceed \$4,000. For more information regarding the Spinco Debt Exchange, refer to the risk factor titled "Even if the WarnerMedia/Discovery Transaction is completed, we may not realize some or all of the expected benefits of the transaction" below.

The announcement and pendency of the WarnerMedia/Discovery Transaction could cause disruptions in our business.

The WarnerMedia/Discovery Transaction will require significant amounts of time and effort, which could divert management's attention from operating, growing our business and other strategic endeavors. Further, our employees may be distracted due to uncertainty regarding their future roles with us or the WarnerMedia business pending the consummation of the WarnerMedia/Discovery Transaction. In the event that the WarnerMedia/Discovery Transaction does not close, we will be required to bear a number of non-recurring costs in connection with the transaction, including financial, legal, accounting, consulting and other advisory fees and expenses, reorganization and restructuring costs, severance/employee benefit-related expenses, regulatory and SEC filing fees and expenses, printing expenses and other related charges. Until the consummation or termination of the WarnerMedia/Discovery Transaction, we are also required to operate the WarnerMedia business in the ordinary course and we are restricted from taking certain specified actions with respect to our WarnerMedia business without Discovery's consent. Any of the foregoing could adversely affect our operating results.

Even if the WarnerMedia/Discovery Transaction is completed, we may not realize some or all of the expected benefits of the transaction.

Even if the WarnerMedia/Discovery Transaction is completed, the anticipated operational, financial, strategic and other benefits of such transaction to the Company and our stockholders may not be achieved. There are many factors that could impact the anticipated benefits from the WarnerMedia/Discovery Transaction, including, among others, strategic adjustments required to reflect the nature of our business following the WarnerMedia/Discovery Transaction and any negative reaction to the WarnerMedia/Discovery Transaction by our customers and business partners. In addition, we have agreed to provide certain transition services to the combined company, which may result in additional expenses and may divert our focus and resources that would otherwise be invested into maintaining or growing our businesses.

In connection with the WarnerMedia/Discovery Transaction, we will receive approximately \$43,000, subject to certain adjustments, in the form of a combination of (i) the assumption by the WarnerMedia business of certain existing debt, (ii) a cash dividend distributed to us from the WarnerMedia business (the "Spinco Special Cash Payment"), and (iii) debt instruments of the WarnerMedia business (the "Spinco Debt Distribution"). We expect to deliver such debt instruments of WarnerMedia in exchange for certain of our outstanding debt obligations (the "Spinco Debt Exchange"), and to use the proceeds of the Spinco Special Cash Payment to repay certain of our other outstanding debt obligations. This process will be complex and may require significant time and resources. Depending on various variables (such as interest rates and timing) at the time of the Spinco Debt Exchange, AT&T's transaction costs relating to the Spinco Debt Exchange may be significantly higher than expected. Additionally, if market conditions change in advance of the Spinco Debt Exchange such that it is no longer feasible for the WarnerMedia business to issue debt securities with a fair market value at least equal to their face value, we may be required to take an additional distribution of cash from the WarnerMedia business in lieu of effecting the Spinco Debt Exchange, which could result in potentially significant incremental tax liability. If certain conditions are met, Discovery generally will be responsible for 50% of such incremental tax liability that does not exceed \$4,000.

An inability to realize the full extent of the anticipated benefits of the WarnerMedia/Discovery Transaction, as well as any delays encountered in the process, could have an adverse effect on our revenues, level of expenses and operating results.

In connection with the separation of the WarnerMedia business and the completed transaction involving our Video business unit, certain liabilities will be or were allocated to or retained by us and we will be subject to indemnification obligations in respect of those liabilities.

In connection with the separation of the WarnerMedia business and the completed transaction involving our Video business unit (the “DTV Transaction”), we have agreed to assume or retain, and indemnify the WarnerMedia business and the Video business unit for, certain liabilities. Payments pursuant to these indemnities may be significant and could negatively impact our business, particularly indemnities relating to our actions that could impact the tax-free nature of the distribution of the WarnerMedia business. Third parties could also seek to hold us responsible for any liabilities allocated to the WarnerMedia business and the Video business unit and such third parties could seek damages, other monetary penalties (whether civil or criminal) and other remedies.

The separation of the WarnerMedia business and the Video business unit may result in an increase in our costs and expenses.

Following the consummation of the WarnerMedia/Discovery Transaction and the DTV Transaction, we will no longer benefit from economies of scale and synergies we currently have or expected to realize between our WarnerMedia business, our Video business unit and our remaining businesses, including through intercompany arrangements and combined agreements with third parties. There can be no assurance that we will be able to continue any of these arrangements, or that any such continuing arrangements will be on the same or more favorable terms, following the separation of the WarnerMedia business and the Video business unit. Additionally, there can be no assurance that costs retained by AT&T after the WarnerMedia/Discovery Transaction and the DTV Transaction will be fully recovered through transition service agreements or business transformation initiatives. As a result, our costs and expenses may increase following the consummation of the WarnerMedia/Discovery Transaction and the DTV Transaction.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

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

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

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

- The impact from major equipment or software failures on our networks; the effect of security breaches related to the network or customer information; our inability to obtain handsets, equipment/software or have handsets, equipment/software serviced in a timely and cost-effective manner from suppliers; or severe weather conditions including flooding and hurricanes, natural disasters including earthquakes and forest fires, pandemics, energy shortages, wars or terrorist attacks.
- The issuance by the Financial Accounting Standards Board or other accounting oversight bodies of new accounting standards or changes to existing standards.
- Changes in our corporate strategies to respond to competition and regulatory, legislative and technological developments.
- 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, including the separation of the WarnerMedia business, as well as achieve our expectations regarding the financial impact of the completed and/or pending transactions.

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

ITEM 2. PROPERTIES

Our properties do not lend themselves to description by character and location of principal units. At December 31, 2021, of our total property, plant and equipment, central office equipment represented 30%; outside plant (including cable, wiring and other non-central office network equipment) represented 24%; other equipment, comprised principally of wireless network equipment attached to towers, furniture and office equipment and vehicles and other work equipment, represented 26%; land, building and wireless communications towers represented 13%; and other miscellaneous property represented 7%.

For our Communications segment, substantially all of the installations of central office equipment are located in buildings and on land we own. Many garages, administrative and business offices, wireless towers, telephone centers and retail stores are leased. Property on which communication towers are located may be either owned or leased.

For our WarnerMedia segment, we own or lease offices; studios; technical, production and warehouse spaces; communications facilities and other properties in numerous locations globally.

ITEM 3. LEGAL PROCEEDINGS

We are a party to numerous lawsuits, regulatory proceedings and other matters arising in the ordinary course of business. As of the date of this report, we do not believe any pending legal proceedings to which we or our subsidiaries are subject are required to be disclosed as material legal proceedings pursuant to this item, but have included the below as a matter of general information.

Recently, the U.S. Attorney's Office for the Northern District of Illinois informed us that they are considering filing a charge against one of our subsidiaries, Illinois Bell Telephone Company, LLC (Illinois Bell), arising out of a single, nine-month consulting contract in 2017 worth twenty-two thousand five hundred dollars. Since 2019, Illinois Bell has been cooperating with the U.S. Attorney's Office concerning their widely reported investigation of certain elected Illinois politicians and related parties for corruption. Based on our own extensive investigation of the facts and our engagement with the U.S. Attorney's Office, we have concluded that the contract at issue was legal in all respects and that any charge against Illinois Bell or its personnel would be without merit. We cannot predict the outcome of the government's investigation, which could (i) result in criminal penalties, fines, or other remedial measures, (ii) adversely affect our reputation with customers, regulators, and other stakeholders, and (iii) impact our existing federal and state government contracts and our ability to win new contracts in the future.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Information about our Executive Officers
(As of February 1, 2022)

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Held Since</u>
John T. Stankey	59	Chief Executive Officer and President	7/2020
Pascal Desroches	57	Senior Executive Vice President and Chief Financial Officer	4/2021
Edward W. Gillespie	60	Senior Executive Vice President - External and Legislative Affairs, AT&T Services, Inc.	4/2020
David S. Huntley	63	Senior Executive Vice President and Chief Compliance Officer	12/2014
Jason Kilar	50	Chief Executive Officer, Warner Media, LLC	5/2020
Lori M. Lee	56	Chief Executive Officer-AT&T Latin America and Global Marketing Officer	8/2017
David R. McAtee II	53	Senior Executive Vice President and General Counsel	10/2015
Jeffery S. McElfresh	51	Chief Executive Officer, AT&T Communications, LLC	10/2019
Angela R. Santone	50	Senior Executive Vice President - Human Resources	12/2019

The above executive officers have held high-level managerial positions with AT&T or its subsidiaries for more than the past five years, except for Mr. Desroches, Mr. Gillespie, Mr. Kilar and Ms. Santone. Executive officers are not appointed to a fixed term of office.

Mr. Desroches was previously Executive Vice President of Finance of AT&T from November 2020 to March 2021, Executive Vice President and Chief Financial Officer of WarnerMedia from June 2018 to November 2020 and Executive Vice President and Chief Financial Officer of Turner Broadcasting Systems Inc. from January 2015 to June 2018.

Mr. Gillespie was previously Managing Director of Sard Verbinnen & Co. from June 2018 to April 2020, Founder and Principal of Ed Gillespie Strategies from February 2009 to December 2016, and Counselor to the President for George W. Bush, Executive Office of the President at The White House, from July 2007 to January 2009.

Mr. Kilar was previously Co-Founder and Chief Executive Officer of Vessel from 2013 to 2017 and Founder and Chief Executive Officer of Hulu from 2007 to 2013.

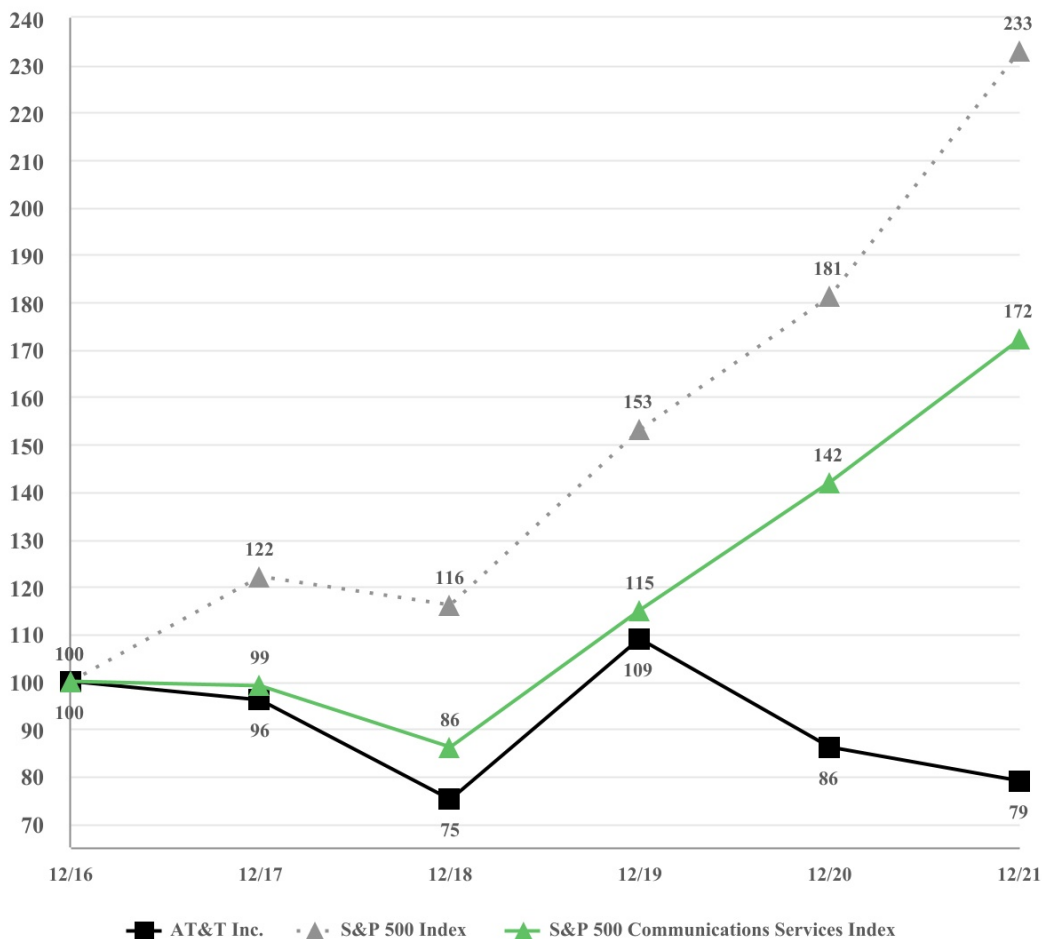
Ms. Santone was previously Chief Administrative Officer of AT&T from May 2019 to December 2019, Executive Vice President and Global Chief Human Resources Officer of Turner from February 2016 to April 2019, and Senior Vice President and Chief Human Resources Officer of Turner from June 2013 to January 2016.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the ticker symbol “T”. The number of stockholders of record as of December 31, 2021 and 2020 was 817,330 and 858,373. The number of stockholders of record as of February 11, 2022, was 814,326. We declared dividends on common stock, on a quarterly basis, totaling \$2.08 per share in 2021 and \$2.08 per share in 2020.

STOCK PERFORMANCE GRAPH
Comparison of Five Year Cumulative Return
AT&T Inc., S&P 500 Index and
S&P 500 Communications Services Index



The comparison above assumes \$100 invested on December 31, 2016, in AT&T common stock and the following Standard & Poor’s (S&P) Indices: S&P 500 Index and S&P 500 Communications Services Index. Total return equals stock price appreciation plus reinvestment of dividends.

Our Board of Directors has approved the following authorization to repurchase common stock: March 2014 authorization program for 300 million shares, with 178 million outstanding at December 31, 2021. To implement this authorization, we used open market repurchases, relying on Rule 10b5-1 of the Securities Exchange Act of 1934, where feasible. We also used accelerated share repurchase agreements with large financial institutions to repurchase our stock. We will continue to fund any share repurchases through a combination of cash from operations, borrowings dependent on market conditions, or cash from the disposition of certain non-strategic investments.

Excluding the impact of acquisitions, our 2022 financing activities will focus on managing our debt level and paying dividends, subject to approval by our Board of Directors. We plan to fund our financing uses of cash through a combination of cash from operations, issuance of debt and asset sales. The timing and mix of any debt issuance and/or refinancing will be guided by credit market conditions and interest rate trends.

A summary of our repurchases of common stock during the fourth quarter of 2021 is as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

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
October 1, 2021 - October 31, 2021	265,408	\$ 27.14	—	177,902,921
November 1, 2021 - November 30, 2021	56,662	\$ 24.96	—	177,902,921
December 1, 2021 - December 31, 2021	120,417	\$ 22.96	—	177,902,921
Total	442,487	\$ 25.72	—	

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 purchased, 442,487 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 or transferred, no shares were transferred from AT&T maintained Voluntary Employee Benefit Association (VEBA) trusts.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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

Our Management's Discussion and Analysis of Financial Condition and Results of Operations included in this document generally discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 that are not included in this document can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in exhibit 99.1, revised Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed on Form 8-K on June 21, 2021.

On July 31, 2021, we closed our transaction with TPG Capital (TPG) to form a new company named DIRECTV Entertainment Holdings, LLC (DIRECTV). With the close of the transaction, we separated our Video business, comprised of our U.S. video operations, and began accounting for our investment in DIRECTV under the equity method. On November 15, 2021, we sold our Latin America video operations, Vrio, to Grupo Werthein. (See Note 6)

We have three reportable segments: (1) Communications, (2) WarnerMedia and (3) Latin America. Our segment results presented in Note 4 and discussed below follow our internal management reporting. We analyze our segments based on segment operating contribution, which consists of operating income, excluding acquisition-related costs and other significant items and equity in net income (loss) of affiliates for investments managed within each segment. Each segment's percentage calculation of total segment operating revenue and contribution is derived from our segment results table in Note 4 and may total more than 100% due to losses in one or more segments. Percentage increases and decreases that are not considered meaningful are denoted with a dash.

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Operating Revenues					
Communications	\$ 114,730	\$ 109,965	\$ 109,969	4.3 %	— %
WarnerMedia	35,632	30,442	35,259	17.0	(13.7)
Latin America	5,354	5,716	6,963	(6.3)	(17.9)
Corporate and Other:					
Corporate	1,264	2,207	2,131	(42.7)	3.6
Video	15,513	28,610	32,124	(45.8)	(10.9)
Eliminations and consolidation	(3,629)	(5,180)	(5,253)	29.9	1.4
AT&T Operating Revenues	168,864	171,760	181,193	(1.7)	(5.2)
Operating Contribution					
Communications	28,279	28,313	29,815	(0.1)	(5.0)
WarnerMedia	7,277	8,210	10,659	(11.4)	(23.0)
Latin America	(430)	(729)	(635)	41.0	(14.8)
Segment Operating Contribution	\$ 35,126	\$ 35,794	\$ 39,839	(1.9)	(10.2)
Corporate and Other ¹	(11,148)	(29,294)	(11,878)	61.9	—
AT&T Operating Contribution	\$ 23,978	\$ 6,500	\$ 27,961	— %	(76.8)%

¹ Includes the reclassification of prior service credit amortization and retained costs previously allocated to Video, the Video business separated in July 2021, acquisition-related and certain significant items, and eliminations and consolidations. See Note 4 for additional details and amounts included in Corporate and Other.

The *Communications segment* accounted for approximately 74% of our 2021 total segment operating revenues compared to 75% in 2020 and 81% of our 2021 total segment operating contribution as compared to 79% in 2020. This segment provides services to businesses and consumers located in the U.S. and businesses globally. Our business strategies reflect bundled product offerings that cut across product lines and utilize shared assets. This segment contains the following business units:

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

The *WarnerMedia segment* accounted for approximately 23% of our 2021 total segment operating revenues compared to 21% in 2020 and 21% of our 2021 total segment operating contribution compared to 23% in 2020. This segment develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. WarnerMedia content is distributed through basic networks, Direct-to-Consumer (DTC) or theatrical, TV content and games licensing. Segment results also include Xandr advertising and Otter Media Holdings (Otter Media). We disposed of substantially all of the Otter Media assets in the third quarter of 2021 (see Note 6).

The *Latin America segment* accounted for approximately 3% of our 2021 total segment operating revenues compared to 4% in 2020. This segment provides wireless services and equipment in Mexico, and prior to the November 2021 disposition of Vrio, video services in Latin America and the Caribbean (see Note 6).

RESULTS OF OPERATIONS

Consolidated Results Our financial results are summarized in the following table. We then discuss factors affecting our overall results. Additional analysis is discussed in our “Segment Results” section. We also discuss our expected revenue and expense trends for 2022 in the “Operating Environment and Trends of the Business” section. Certain prior-period amounts have been reclassified to conform to the current period’s presentation.

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Operating revenues					
Service	\$ 146,391	\$ 152,767	\$ 163,499	(4.2) %	(6.6) %
Equipment	22,473	18,993	17,694	18.3	7.3
Total Operating Revenues	168,864	171,760	181,193	(1.7)	(5.2)
Operating expenses					
Operations and support	117,751	117,959	123,563	(0.2)	(4.5)
Asset impairments and abandonments	4,904	18,880	1,458	(74.0)	—
Depreciation and amortization	22,862	28,516	28,217	(19.8)	1.1
Total Operating Expenses	145,517	165,355	153,238	(12.0)	7.9
Operating Income	23,347	6,405	27,955	—	(77.1)
Interest expense	6,884	7,925	8,422	(13.1)	(5.9)
Equity in net income of affiliates	631	95	6	—	—
Other income (expense) – net	9,853	(1,431)	(1,071)	—	(33.6)
Income (Loss) Before Income Taxes	26,947	(2,856)	18,468	—	—
Net Income (Loss)	21,479	(3,821)	14,975	—	—
Net Income (Loss) Attributable to AT&T	20,081	(5,176)	13,903	—	—
Net Income (Loss) Attributable to Common Stock	\$ 19,874	\$ (5,369)	\$ 13,900	— %	— %

OVERVIEW

Operating revenues decreased in 2021, with declines reflecting our July 31, 2021 separation of the U.S. video business, the completion of the sale of our Vrio business unit in November 2021 and the October 2020 sale of wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands. Also contributing to revenue declines was lower Business Wireline revenues due in part to higher demand for pandemic-related connectivity in the prior year. Partially offsetting declines were higher Mobility equipment and service revenues and gains in broadband service in our Communications segment; higher content and DTC subscription revenues in our WarnerMedia segment; and growth in Mexico wireless operations including favorable foreign exchange impacts.

Operations and support expenses decreased in 2021, with declines reflecting our business divestitures, lower bad debt expense and lower personnel costs associated with our ongoing transformation initiatives. Declines were mostly offset by increased domestic wireless equipment expense from higher volumes, and higher WarnerMedia programming costs and marketing activities.

Asset impairments and abandonments decreased in 2021, with higher impairments in 2020. Noncash impairment charges in 2020 included \$15,508, resulting from our assessment of the recoverability of the long-lived assets and goodwill associated with our U.S. video business (see Notes 7 and 9); \$2,212 goodwill impairment at our Vrio business unit (see Note 9); and \$780 from the impairment of production and other content inventory at WarnerMedia, with approximately \$524 resulting from the continued shutdown of theaters during the pandemic and the hybrid distribution model for our 2021 film slate (see Note 11). In 2021, we took an additional Vrio impairment of \$4,555, resulting from our assessment of the recoverability of the net assets of Vrio (see Note 6).

Depreciation and amortization expense decreased in 2021.

Amortization expense decreased \$3,779, or 47.2%, in 2021, primarily due to ceasing amortization on Video and Vrio held-for-sale assets.

Depreciation expense decreased \$1,875, or 9.1%, in 2021, primarily due to the lower cost basis of property, plant and equipment resulting from Video impairments taken in the fourth quarter of 2020 and ceasing depreciation on Video and Vrio held-for-sale assets in 2021.

Operating income increased in 2021 and decreased in 2020. Our operating margin was 13.8% in 2021, compared to 3.7% in 2020 and 15.4% in 2019.

Interest expense decreased in 2021, primarily due to lower interest rates and capitalized interest associated with the spectrum acquisitions, partially offset by higher debt balances.

Equity in net income (loss) of affiliates increased in 2021, primarily due to the close of our transaction with TPG related to the U.S. video business, which resulted in our accounting for our investment in DIRECTV under the equity method of accounting beginning August 1, 2021 (see Notes 6 and 20).

Other income (expense) – net increased in 2021, primarily due to the recognition of \$4,140 in actuarial gains, compared to losses of \$4,169 in 2020, and recognition of \$1,405 of debt redemption costs in 2020. Also contributing to increased income were higher net pension and postretirement benefit credits from higher prior service credit amortization (see Note 15) and net gains on the sale of assets (see Note 6).

Income tax expense increased in 2021, primarily driven by increased income before income taxes, offset primarily by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) benefit of U.S. federal Net Operating Loss (NOL) carryback and benefits on divestitures in 2021.

Our effective tax rate was 20.3% in 2021, (33.8)% in 2020, and 18.9% in 2019. The effective tax rate in 2020 was impacted by our impairment of Vrio and Video goodwill, which was not deductible for tax purposes.

Segment Results Our segments are strategic business units that offer different products and services over various technology platforms and/or in different geographies that are managed accordingly. Our segment results presented below follow our internal management reporting. In addition to segment operating contribution, we also evaluate segment performance based on EBITDA and/or EBITDA margin. EBITDA is defined as segment operating contribution, excluding equity in net income (loss) of affiliates and depreciation and amortization. We believe EBITDA to be a relevant and useful measurement to our investors as it is part of our internal management reporting and planning processes and it is an important metric that management uses to evaluate operating performance. EBITDA does not give effect to depreciation and amortization expenses incurred in operating contribution nor is it burdened by cash used for debt service requirements and thus does not reflect available funds for distributions, reinvestment or other discretionary uses. EBITDA margin is EBITDA divided by total revenues.

COMMUNICATIONS SEGMENT

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Segment Operating Revenues					
Mobility	\$ 78,254	\$ 72,564	\$ 71,056	7.8 %	2.1 %
Business Wireline	23,937	25,083	25,901	(4.6)	(3.2)
Consumer Wireline	12,539	12,318	13,012	1.8	(5.3)
Total Segment Operating Revenues	114,730	109,965	109,969	4.3	—
Segment Operating Contribution					
Mobility	23,312	22,372	22,321	4.2	0.2
Business Wireline	3,990	4,564	5,137	(12.6)	(11.2)
Consumer Wireline	977	1,377	2,357	(29.0)	(41.6)
Total Segment Operating Contribution	\$ 28,279	\$ 28,313	\$ 29,815	(0.1) %	(5.0) %

Selected Subscribers and Connections

(000s)	2021	December 31, 2020	2019
Mobility subscribers	201,791	182,558	165,889
Total domestic broadband connections	15,504	15,384	15,389
Network access lines in service	6,177	7,263	8,487
U-verse VoIP connections	3,333	3,816	4,370

Operating revenues increased in 2021, driven by increases in our Mobility and Consumer Wireline business units, partially offset by a decrease in our Business Wireline business unit. The increases are primarily driven by equipment and wireless service revenue growth and gains in broadband service.

Operating contribution decreased in 2021 and 2020. The 2021 operating contribution includes declines in our Business Wireline and Consumer Wireline business units, and reflects an increase in operating contribution from our Mobility business unit. Our Communications segment operating income margin was 24.6% in 2021, 25.7% in 2020 and 27.1% in 2019.

*Communications Business Unit Discussion***Mobility Results**

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Operating revenues					
Service	\$ 57,590	\$ 55,542	\$ 55,331	3.7 %	0.4 %
Equipment	20,664	17,022	15,725	21.4	8.2
Total Operating Revenues	78,254	72,564	71,056	7.8	2.1
Operating expenses					
Operations and support	46,820	42,106	40,681	11.2	3.5
Depreciation and amortization	8,122	8,086	8,054	0.4	0.4
Total Operating Expenses	54,942	50,192	48,735	9.5	3.0
Operating Income	23,312	22,372	22,321	4.2	0.2
Equity in Net Income (Loss) of Affiliates	—	—	—	—	—
Operating Contribution	\$ 23,312	\$ 22,372	\$ 22,321	4.2 %	0.2 %

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

Subscribers

(in 000s)	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Postpaid	81,534	77,154	75,207	5.7 %	2.6 %
Postpaid phone	67,260	64,216	63,018	4.7	1.9
Prepaid	19,028	18,102	17,803	5.1	1.7
Reseller	6,113	6,535	6,893	(6.5)	(5.2)
Connected devices ¹	95,116	80,767	65,986	17.8	22.4
Total Mobility Subscribers	201,791	182,558	165,889	10.5 %	10.0 %

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

Mobility Net Additions

(in 000s)	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Postpaid Phone Net Additions	3,196	1,457	483	— %	— %
Total Phone Net Additions	3,850	1,640	989	—	65.8
Postpaid ²	4,482	2,183	(435)	—	—
Prepaid	956	379	677	—	(44.0)
Reseller	(534)	(449)	(928)	(18.9)	51.6
Connected devices ³	14,328	14,785	14,645	(3.1)	1.0
Mobility Net Subscriber Additions¹	19,232	16,898	13,959	13.8 %	21.1 %
Postpaid Churn ⁴	0.94 %	0.98 %	1.18 %	(4) BP	(20) BP
Postpaid Phone-Only Churn ⁴	0.76 %	0.79 %	0.95 %	(3) BP	(16) BP

¹ Excludes acquisition-related additions during the period.

² In addition to postpaid phones, includes tablets and wearables and other. Tablet net adds (losses) were 28, (512) and (1,487) for the years ended December 31, 2021, 2020 and 2019, respectively. Wearables and other net adds were 1,257, 1,223 and 569 for the years ended December 31, 2021, 2020 and 2019, respectively.

³ Includes data-centric devices such as session-based tablets, monitoring devices and primarily wholesale automobile systems. Excludes postpaid tablets and other postpaid data devices. Wholesale connected car net adds were 7.9 million for the year ended December 31, 2021.

⁴ Calculated by dividing the aggregate number of wireless subscribers who canceled service during a month 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 during 2021, largely due to growth from subscriber gains.

ARPU

Average revenue per subscriber (ARPU) decreased in 2021 and reflects the impact of higher promotional discount amortization (see Note 5).

Churn

The effective management of subscriber churn is critical to our ability to maximize revenue growth and to maintain and improve margins. Postpaid churn and postpaid phone-only churn were lower in 2021 due to retention offers, migrations to unlimited plans, continued network performance and lower involuntary disconnects.

Equipment revenue increased in 2021, primarily driven by increased volumes, the sale of higher-priced smartphones and a mix of higher-priced postpaid smartphones.

Operations and support expenses increased in 2021, largely driven by growth in equipment sales and associated expenses, including costs associated with the upcoming first-quarter 2022 3G network shutdown, increased content costs associated with bundling HBO Max, increased amortization of deferred contract acquisition costs and higher network and technology costs. These expense increases were partially offset by lower sales costs and lower bad debt expense.

Depreciation expense increased in 2021, primarily due to ongoing capital spending for network upgrades and expansion partially offset by fully depreciated assets.

Operating income increased in 2021 and 2020. Our Mobility operating income margin was 29.8% in 2021, 30.8% in 2020 and 31.4% in 2019. Our Mobility EBITDA margin was 40.2% in 2021, 42.0% in 2020 and 42.7% in 2019.

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, which went nationwide in July 2020. 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. In January 2022, we began to deploy our C-band spectrum acquired in FCC Auction 107 (see Note 6).

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

Business Wireline Results

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Operating revenues					
Services	\$ 23,224	\$ 24,313	\$ 25,116	(4.5)%	(3.2)%
Equipment	713	770	785	(7.4)	(1.9)
Total Operating Revenues	23,937	25,083	25,901	(4.6)	(3.2)
Operating expenses					
Operations and support	14,755	15,303	15,839	(3.6)	(3.4)
Depreciation and amortization	5,192	5,216	4,925	(0.5)	5.9
Total Operating Expenses	19,947	20,519	20,764	(2.8)	(1.2)
Operating Income	3,990	4,564	5,137	(12.6)	(11.2)
Equity in Net Income (Loss) of Affiliates	—	—	—	—	—
Operating Contribution	\$ 3,990	\$ 4,564	\$ 5,137	(12.6)%	(11.2)%

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

Equipment revenues decreased in 2021, driven by declines in legacy and non-core services which we expect to continue.

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

Depreciation expense decreased in 2021, primarily due to certain network assets becoming fully depreciated.

Operating income decreased in 2021 and 2020. Our Business Wireline operating income margin was 16.7% in 2021, 18.2% in 2020 and 19.8% in 2019. Our Business Wireline EBITDA margin was 38.4% in 2021, 39.0% in 2020 and 38.8% in 2019.

Consumer Wireline Results

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Operating revenues					
Broadband	\$ 9,085	\$ 8,534	\$ 8,403	6.5 %	1.6 %
Legacy voice and data services	1,977	2,213	2,573	(10.7)	(14.0)
Other service and equipment	1,477	1,571	2,036	(6.0)	(22.8)
Total Operating Revenues	12,539	12,318	13,012	1.8	(5.3)
Operating expenses					
Operations and support	8,467	8,027	7,775	5.5	3.2
Depreciation and amortization	3,095	2,914	2,880	6.2	1.2
Total Operating Expenses	11,562	10,941	10,655	5.7	2.7
Operating Income	977	1,377	2,357	(29.0)	(41.6)
Equity in Net Income (Loss) of Affiliates	—	—	—	—	—
Operating Contribution	\$ 977	\$ 1,377	\$ 2,357	(29.0) %	(41.6)%

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

Connections

(in 000s)	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Broadband Connections					
Total Broadband and DSL Connections	14,160	14,100	14,119	0.4 %	(0.1)%
Fiber Broadband Connections	5,992	4,951	3,887	21.0	27.4
Voice Connections					
Retail Consumer Switched Access Lines	2,423	2,862	3,329	(15.3)	(14.0)
U-verse Consumer VoIP Connections	2,736	3,231	3,794	(15.3)	(14.8)
Total Retail Consumer Voice Connections	5,159	6,093	7,123	(15.3)%	(14.5)%

Net Additions

(in 000s)	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Broadband Net Additions					
Total Broadband and DSL Net Additions	60	(19)	(290)	— %	93.4 %
Fiber Broadband Net Additions	1,041	1,064	1,124	(2.2)%	(5.3)%

Broadband revenues increased in 2021, driven by an increase in fiber customers and pricing, which we expect to continue for the foreseeable future.

Legacy voice and data service revenues decreased in 2021, reflecting the continued decline in the number of customers, which we expect to continue.

Other service and equipment revenues decreased in 2021, reflecting the continued decline in the number of VoIP customers, which we expect to continue.

AT&T Inc.

Dollars in millions except per share amounts

Operations and support expenses increased in 2021, primarily driven by higher advertising, technology and customer support costs, and content costs associated with plans bundling HBO Max. Partially offsetting these increases was lower amortization of deferred fulfillment costs, including updates to extend the estimated economic life of our subscribers.

Depreciation expense increased in 2021, primarily due to ongoing capital spending for network upgrades and expansion.

Operating income decreased in 2021 and 2020. Our Consumer Wireline operating income margin was 7.8% in 2021, 11.2% in 2020 and 18.1% in 2019. Our Consumer Wireline EBITDA margin was 32.5% in 2021, 34.8% in 2020 and 40.2% in 2019.

WARNERMEDIA SEGMENT

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Segment Operating Revenues					
Subscription	\$ 15,596	\$ 13,765	\$ 13,651	13.3 %	0.8 %
Content and other	13,514	10,552	14,930	28.1	(29.3)
Advertising	6,522	6,125	6,678	6.5	(8.3)
Total Segment Operating Revenues	35,632	30,442	35,259	17.0	(13.7)
Segment Operating Expenses					
Direct Costs					
Programming	15,286	11,678	13,949	30.9	(16.3)
Marketing	4,137	2,529	2,953	63.6	(14.4)
Other	3,658	3,211	3,060	13.9	4.9
Selling, general and administrative	4,656	4,161	4,210	11.9	(1.2)
Depreciation and amortization	656	671	589	(2.2)	13.9
Total Operating Expenses	28,393	22,250	24,761	27.6	(10.1)
Operating Income	7,239	8,192	10,498	(11.6)	(22.0)
Equity in Net Income (Loss) of Affiliates	38	18	161	—	(88.8)
Total Segment Operating Contribution	\$ 7,277	\$ 8,210	\$ 10,659	(11.4)%	(23.0)%

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

HBO Latin America Group (HBO LAG) is included as an equity method investment prior to our acquiring the remaining interest in May 2020. It is included in the segment operating results following the date of acquisition.

On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery Inc. On December 21, 2021, we entered into an agreement to sell the marketplace component of Xandr to Microsoft Corporation (Microsoft). (See Note 6)

Operating revenues increased in 2021 and decreased in 2020. The increase in 2021 was primarily due to increases in content and other, reflecting the partial recovery from prior-year impacts of the pandemic, and also in subscription revenues. The decrease in 2020 was primarily due to lower content and advertising revenues, which were negatively impacted by the pandemic, partially offset by higher subscription revenues.

Subscription revenues increased in 2021 and 2020, reflecting growth of DTC domestic HBO Max and HBO subscribers and the May 2020 acquisition of the remaining interest in HBO Latin America Group. DTC subscription revenues were \$7,723 in 2021, versus \$6,090 and \$5,814 in 2020 and 2019, respectively, and include growth from intercompany relationships with the Communications segment.

AT&T Inc.

Dollars in millions except per share amounts

Content and other revenues increased in 2021 and decreased in 2020. The increase in 2021 was due to higher TV production and licensing, which represent a partial recovery from prior-year impacts of the pandemic, as well as higher theatrical, with 2020 including only five worldwide theatrical releases compared to 17 in 2021. The decrease in 2020 was primarily due to pandemic-related movie theater closures and television and theatrical production delays.

Advertising revenues increased in 2021 and decreased in 2020. The increase in 2021 was due to the return in 2021 of major sporting events, including the NCAA Division I Men's Championship Basketball Tournament. The decrease in 2020 was primarily due to the pandemic-related cancellation of sporting events, partially offset by higher news coverage of general elections and COVID-19 developments.

Direct costs increased in 2021 and decreased in 2020. The increase in 2021 was driven by higher film and programming costs and increased costs for HBO Max. Direct costs supporting DTC revenues were \$7,934 in 2021, versus \$5,452 and \$3,824 in 2020 and 2019, respectively. The decrease in 2020 was primarily due to pandemic-related closures and production delays.

Selling, general and administrative expenses increased in 2021 and decreased in 2020. The increase in 2021 was primarily due to incremental selling costs associated with a DIRECTV advertising revenue sharing arrangement, partially offset by lower bad debt expense and integration of support functions. The decrease in 2020 was primarily due to lower print and advertising expenses from limited theatrical releases, lower distribution fees and cost-saving initiatives, partially offset by marketing costs associated with HBO Max.

Operating contribution decreased in 2021 and 2020. The WarnerMedia segment operating income margin was 20.3% in 2021, 26.9% in 2020 and 29.8% in 2019.

LATIN AMERICA SEGMENT

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Segment Operating Revenues					
Mexico	\$ 2,747	\$ 2,562	\$ 2,869	7.2 %	(10.7)%
Vrio	2,607	3,154	4,094	(17.3)	(23.0)
Total Segment Operating Revenues	5,354	5,716	6,963	(6.3)	(17.9)
Segment Operating Contribution					
Mexico	(510)	(587)	(718)	13.1	18.2
Vrio	80	(142)	83	—	—
Total Segment Operating Contribution	\$ (430)	\$ (729)	\$ (635)	41.0 %	(14.8)%

Our Latin America operations conduct business in their local currency and operating results are converted to U.S. dollars using official exchange rates, subjecting results to foreign currency fluctuations.

On November 15, 2021, we completed the sale of our Latin America video operations, Vrio, to Grupo Wertheim (see Note 6).

Operating revenues decreased in 2021, reflecting the sale of Vrio partially offset by growth in the Mexico wireless operations. Foreign exchange pressure in Vrio was partially offset by improvements in Mexico.

Operating contribution improved in 2021, reflecting higher profitability in Mexico and lower depreciation resulting from Vrio assets being accounted for as held-for-sale. Our Latin America segment operating income margin was (8.1)% in 2021, (13.2)% in 2020 and (9.5)% in 2019.

Latin America Business Unit Discussion**Mexico Results**

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Operating revenues					
Service	\$ 1,834	\$ 1,656	\$ 1,863	10.7 %	(11.1)%
Equipment	913	906	1,006	0.8	(9.9)
Total Operating Revenues	2,747	2,562	2,869	7.2	(10.7)
Operating expenses					
Operations and support	2,652	2,636	3,085	0.6	(14.6)
Depreciation and amortization	605	513	502	17.9	2.2
Total Operating Expenses	3,257	3,149	3,587	3.4	(12.2)
Operating Income (Loss)	(510)	(587)	(718)	13.1	18.2
Equity in Net Income (Loss) of Affiliates	—	—	—	—	—
Operating Contribution	\$ (510)	\$ (587)	\$ (718)	13.1 %	18.2 %

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

(in 000s)	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Mexico Wireless Subscribers					
Postpaid	4,807	4,696	5,103	2.4 %	(8.0)%
Prepaid	15,057	13,758	13,584	9.4	1.3
Reseller	498	489	472	1.8	3.6
Mexico Wireless Subscribers	20,362	18,943	19,159	7.5 %	(1.1)%

(in 000s)	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Mexico Wireless Net Additions					
Postpaid	111	(407)	(608)	— %	33.1 %
Prepaid	1,299	174	1,919	—	(90.9)
Reseller	9	118	219	(92.4)	(46.1)
Mexico Wireless Net Additions	1,419	(115)	1,530	— %	— %

Service revenues increased in 2021, driven by improvements in foreign exchange and growth in other services.

Equipment revenues increased in 2021, driven by improvements in foreign exchange impact partly offset by lower equipment sales volumes.

Operations and support expenses increased in 2021, due to foreign exchange impact partially offset by lower expenses. Approximately 7% of Mexico expenses are U.S. dollar-based, with the remainder in the local currency.

Depreciation expense increased in 2021, reflecting higher in-service assets and foreign exchange impacts.

Operating income improved in 2021 and 2020. Our Mexico operating income margin was (18.6)% in 2021, (22.9)% in 2020 and (25.0)% in 2019. Our Mexico EBITDA margin was 3.5% in 2021, (2.9)% in 2020 and (7.5)% in 2019.

Vrio Results

	2021	2020	2019	Percent Change	
				2021 vs. 2020	2020 vs. 2019
Operating revenues	\$ 2,607	\$ 3,154	\$ 4,094	(17.3)%	(23.0)%
Operating expenses					
Operations and support	2,302	2,800	3,378	(17.8)	(17.1)
Depreciation and amortization	231	520	660	(55.6)	(21.2)
Total Operating Expenses	2,533	3,320	4,038	(23.7)	(17.8)
Operating Income (Loss)	74	(166)	56	—	—
Equity in Net Income (Loss) of Affiliates	6	24	27	(75.0)	(11.1)
Operating Contribution	\$ 80	\$ (142)	\$ 83	— %	— %

Operating revenues decreased in 2021, driven by the sale of Vrio and foreign exchange impacts.

Operations and support expenses decreased in 2021, driven by the sale of Vrio and foreign exchange impacts.

Depreciation expense decreased in 2021, due to ceasing depreciation on held-for-sale Vrio assets. We applied held-for-sale accounting to Vrio on June 30, 2021 and ceased depreciation beginning July 1, 2021.

Operating income improved in 2021 and 2020. Our Vrio operating income margin was 2.8% in 2021, (5.3)% in 2020 and 1.4% in 2019. Our Vrio EBITDA margin was 11.7% in 2021, 11.2% in 2020 and 17.5% in 2019.

OPERATING ENVIRONMENT AND TRENDS OF THE BUSINESS

2022 Revenue Trends We expect revenue growth in our wireless and broadband businesses as customers demand instant connectivity and higher speeds made possible by wireless network enhancements through 5G deployment and our fiber network expansion. We also expect revenue growth from continued investment in premium content and by expanding the international reach of HBO Max.

In our Communications segment, we expect that our simplified go-to-market strategy for 5G in underpenetrated markets will continue to contribute to wireless subscriber and service revenue growth and that expansion of our fiber footprint and our new multi-gig rollout will drive greater demand for broadband services on our fast-growing fiber network.

In our WarnerMedia segment, we expect our video streaming platform, HBO Max, and premium content will continue to drive revenue growth. The pandemic-related partial closure of movie theaters is expected to continue to pressure revenues; however, we are working towards a shorter but exclusive theatrical window for our 2022 film slate. The decline in viewing on our basic cable networks is expected to continue as consumers continue to increase their use of streaming platforms.

As we expand our fiber reach, we will be orienting our business portfolio to leverage this opportunity to offset continuing declines in legacy business wireline products by growing connectivity with small to mid-sized business. We plan to use our strong fiber and wireless assets, broad distribution and converged product offers to strengthen our overall market position. We will continue to deemphasize non-core services with a longer-term shift of the business to fiber and mobile connectivity, and growth in value-added services.

2022 Expense Trends We expect the spending required to support growth initiatives, primarily our continued deployment of fiber and 5G, including 3G shutdown costs in the first quarter of 2022, as well as continued investment into the HBO Max platform, to pressure expense trends in 2022. To the extent 5G handset introductions continue in 2022, and as anticipated, the expenses associated with those device sales are expected to contribute to higher costs. During 2022, we will also continue to prioritize efficiency, led by our cost transformation initiative and continued transition from our hardware-based network technology to more efficient and less expensive software-based technology. These investments will help prepare us to meet increased customer demand for enhanced wireless and broadband services, including video streaming, augmented reality and “smart” technologies. The software benefits of our 5G wireless technology should result in a more efficient use of capital and lower network-related expenses in the coming years.

We continue to transform our operations to be more efficient and effective, reinvesting savings into growth areas of the business. We are restructuring businesses, sunsetting legacy networks, improving customer service and ordering functions through digital transformation, sizing our support costs and staffing with current activity levels, and reassessing overall benefit costs. Cost savings and asset sales align with our focus on debt reduction.

Market Conditions The U.S. stock market experienced steady growth in 2021; however, several factors, including the global pandemic, have resulted in changes in demand in business communication services. The global pandemic has caused, and could again cause, delays in the development, manufacturing (including the sourcing of key components) and shipment of products, as well as continued tight labor market and actual or perceived inflation. Most of our products and services are not directly affected by the imposition of tariffs on Chinese goods. However, we expect ongoing pressure on pricing during 2022 as we respond to the competitive marketplace, especially in wireless services.

Included on our consolidated balance sheets are assets held by benefit plans for the payment of future benefits. Our pension plans are subject to funding requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). We expect only minimal ERISA contribution requirements to our pension plans for 2022. Investment returns on these assets depend largely on trends in the economy, and a weakness in the equity, fixed income and real asset markets could require us to make future contributions to the pension plans. In addition, our policy of recognizing actuarial gains and losses related to our pension and other postretirement plans in the period in which they arise subjects us to earnings volatility caused by changes in market conditions; however, these actuarial gains and losses do not impact segment performance as they are required to be recorded in “Other income (expense) – net.” Changes in our discount rate, which are tied to changes in the bond market, and changes in the performance of equity markets, may have significant impacts on the valuation of our pension and other postretirement obligations at the end of 2022 (see “Critical Accounting Policies and Estimates”).

OPERATING 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 Federal Communications Commission (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.

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 that would reimpose net neutrality rules repealed by the FCC. Suits have been filed concerning such laws in California and Vermont. The California statute is now in effect, and the lawsuit regarding the Vermont statute has been stayed pending resolution of any appeal of the California lawsuit. 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. NTIA will establish rules for this program in the first half of 2022. 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 will result 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. 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.

WarnerMedia Segment

We create, own and distribute intellectual property, including copyrights, trademarks and licenses of intellectual property. To protect our intellectual property, we rely on a combination of laws and license agreements. Outside of the U.S., laws and regulations relating to intellectual property protection and the effective enforcement of these laws and regulations vary greatly from country to country. The European Union Commission is pursuing legislative and regulatory initiatives which could impact WarnerMedia’s activities in the EU. Piracy, particularly of digital content, continues to threaten WarnerMedia’s revenues from products and services, and we work to limit that threat through a combination of approaches, including technological and legislative solutions. Outside the U.S., various laws and regulations, as well as trade agreements with the U.S., also apply to the distribution or licensing of feature films for exhibition in movie theaters and on broadcast and cable networks. For example, in certain countries, including China, laws and regulations limit the number of foreign films exhibited in such countries in a calendar year.

EXPECTED GROWTH AREAS

Over the next few years, we expect our growth to come from wireless and IP-based fiber broadband services. We provide integrated services to diverse groups of customers in the U.S. on an integrated telecommunications network utilizing different technological platforms. In 2022, our key initiatives include:

- Continuing our wireless subscriber momentum while increasing the pace of our 5G deployment and expansion of 5G service, including to underpenetrated markets.
- Improving fiber penetration, accelerating subscriber growth and increasing broadband revenues.
- Increasing international subscriber base for HBO Max, our platform for premium content and video offered directly to consumers, as well as through other distributors.
- Continuing to develop efficiencies and a competitive advantage through cost transformation initiatives and product simplification.

Wireless We expect to continue to deliver revenue growth in the coming years. We are in a period of rapid growth in wireless video usage and believe that there are substantial opportunities available for next-generation converged services that combine technologies and services. As of December 31, 2021, we served 222 million wireless subscribers in North America, with more than 202 million in the United States.

Our LTE technology covers over 434 million people in North America, and in the United States, we cover all major metropolitan areas and over 330 million people. We also provide 4G coverage using another technology (HSPA+), and when combined with our upgraded backhaul network, we provide enhanced network capabilities and superior mobile broadband speeds for data and video services. In December 2018, we introduced the nation's first commercial mobile 5G service and expanded that deployment nationwide in July 2020. At December 31, 2021, our network covers more than 250 million people with 5G technology in the United States and North America.

Our networks covering both the U.S. and Mexico have enabled our customers to use wireless services without roaming on other companies' networks. We believe this seamless access will prove attractive to customers and provide a significant growth opportunity. As of the end of 2021, we provided LTE coverage to over 104 million people in Mexico.

Integration of Data/Broadband and Streaming Services As the communications industry has evolved into internet-based technologies capable of blending wireline and wireless services, we plan to focus on expanding our wireless network capabilities and provide broadband offerings that allow customers to integrate their home or business fixed services with their mobile service. In January 2022, we launched our multi-gig rollout, which brings the fastest internet to AT&T Fiber customers with symmetrical 2 gig and 5 gig tiers. We will continue to develop and provide unique integrated mobile and broadband/fiber solutions.

REGULATORY DEVELOPMENTS

Set forth below is a summary of the most significant regulatory proceedings that directly affected our operations during 2021. Industry-wide regulatory developments are discussed above in Operating Environment Overview. While these issues may apply only to certain subsidiaries, the words "we," "AT&T" and "our" are used to simplify the discussion. The following discussions are intended as a condensed summary of the issues rather than as a comprehensive legal analysis and description of all of these specific issues.

International Regulation Our subsidiaries operating outside the United States are subject to the jurisdiction of regulatory authorities in the territories in which the subsidiaries operate. Our licensing, compliance and advocacy initiatives in foreign countries primarily enable the provision of enterprise (i.e., large business) globally and wireless services in Mexico.

The General Data Protection Regulation went into effect in Europe in May of 2018. AT&T processes and handles personal data of its customers and subscribers, employees of its enterprise customers and its employees. This regulation created a range of new compliance obligations and significantly increased financial penalties for noncompliance.

Federal Regulation We have organized our following discussion by service impacted.

Internet In February 2015, the FCC released an order classifying both fixed and mobile consumer broadband internet access services as telecommunications services, subject to Title II of the Communications Act. The Order, which represented a departure from longstanding bipartisan precedent, significantly expanded the FCC's authority to regulate broadband internet access services, as well as internet interconnection arrangements. In December 2017, the FCC reversed its 2015 decision by reclassifying fixed and mobile consumer broadband services as information services and repealing most of the rules that were adopted in 2015. In lieu of broad conduct prohibitions, the order requires internet service providers to disclose information about their network practices and terms of service, including whether they block or throttle internet traffic or offer paid prioritization. On October 1, 2019, the D.C. Circuit issued a unanimous opinion upholding the FCC's reclassification of broadband as an information service, and its reliance on transparency requirements and competitive marketplace dynamics to safeguard net neutrality. 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. While the court vacated the FCC's express preemption of any state regulation of net neutrality, it stressed that its ruling did not prevent the FCC or ISPs from relying on conflict preemption to invalidate particular state laws that are inconsistent with the FCC's regulatory objectives and framework. The court also remanded the matter to the FCC for further consideration of the impact of reclassifying broadband services as information services on public safety, the Lifeline program, and pole attachment regulation. In October 2020, the FCC adopted an order concluding that those issues did not justify reversing its decision to reclassify broadband services as information services. An appeal of the FCC's remand decision is pending.

Following the FCC's 2017 decision to reclassify broadband as information services, a number of states adopted legislation to reimpose the very rules the FCC repealed. In some cases, state legislation imposes requirements that go beyond the FCC's February 2015 order. Additionally, some state governors have issued executive orders that effectively reimpose the repealed requirements. Suits have been filed concerning laws in California and Vermont. Both lawsuits were stayed pursuant to agreements by those states not to enforce their laws pending final resolution of all appeals of the FCC's December 2017 order. Because that order is now final, the California suit has returned to active status. In January 2021, a U.S. District Court in California denied a request for a preliminary injunction against enforcement of the California law. As a consequence, the California statute now is in effect. The trade associations challenging the statute have appealed the denial of their request for preliminary injunction to the Ninth Circuit; that appeal remains pending. The lawsuit regarding the Vermont statute has been stayed pending the Ninth Circuit's resolution of the appeal or April 15, 2022, whichever occurs first. We expect that going forward additional states may seek to impose net neutrality requirements. We will continue to support congressional action to codify a set of standard consumer rules for the internet.

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

Wireless and Broadband In June and November 2020, the FCC issued a Declaratory Ruling clarifying the limits on state and local authority to deny applications to modify existing structures to accommodate wireless facilities. Appeals of the November 2020 order remain pending in the Ninth Circuit Court of Appeals, following multiple requests by the FCC to hold the appeal in abeyance until the Senate confirms a fifth FCC Commissioner. If sustained on appeal, these FCC decisions will remove state and local regulatory barriers and reduce the costs of the infrastructure needed for 5G and FirstNet deployments, which will enhance our ability to place small cell facilities on utility poles, expand existing facilities to accommodate public safety services, and replace legacy facilities and services with advanced broadband infrastructure and services. 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.

In March 2020, the FCC released its order setting rules for certain spectrum bands (C-band) for 5G operations. In that order, the FCC concluded that C-band 5G services that met the agency's technical limits on power and emissions would not cause harmful interference with aircraft operations. In reliance on that order, AT&T bid a total of \$23,406 and was awarded 1,621 C-band licenses, including 40 MHz nationwide available for deployment in December 2021, with the remainder available for deployment in December 2023. In late 2021, the Federal Aviation Administration (FAA) questioned whether the C-band launch could impact radio altimeter equipment on airplanes, which operate on spectrum bands over 400 MHz away from the spectrum AT&T is launching in 2022. In response, to allow the FAA more time to evaluate, AT&T and Verizon delayed their planned December 2021 5G C-band launch by six weeks and voluntarily committed to a series of temporary, precautionary measures, in addition to deferring turning on a limited number of towers around certain airports. On January 19, 2022, we launched 5G C-band services, subject to these voluntary temporary measures.

In recent years, the FCC took several actions to make spectrum available for 5G services, including the auction of 280 MHz of mid-band spectrum used for satellite service (the "C Band" auction) and 39 GHz band spectrum. AT&T obtained spectrum in these auctions (see "Other Business Matters"). The FCC also made 150 MHz of mid-band CBRS spectrum available, to be shared with Federal incumbents, which enjoy priority. In addition, the FCC recently completed Auction 110, in which AT&T won 40 MHz of spectrum nationwide at a cost of \$9,079.

Following enactment in December 2019 of the Pallone-Thune Telephone Robocall Abuse Criminal Enforcement and Deterrence Act (TRACED Act) by Congress, the FCC adopted new rules requiring voice service providers to implement caller ID authentication protocols (known as STIR/SHAKEN) and adopt robocall mitigation measures. These measures apply to portions of their networks where STIR/SHAKEN is not enabled, in addition to other anti-robocall measures. The new rules contemplate ongoing FCC oversight and review of efforts related to STIR/SHAKEN implementation. Among other goals, the FCC has stated its intention to promote the IP transition through its rules.

In September 2019, the FCC released reformed aspects of its intercarrier compensation regime related to tandem switching and transport charges, with the goal of reducing the prevalence of telephone access arbitrage schemes. In October 2020, the FCC further reformed aspects of its intercarrier compensation regime by greatly reducing, and in some cases eliminating, the charges long distance carriers must pay to originating carriers for toll-free calls. Appeals of both orders are pending at the D.C. Circuit Court of Appeals.

ACCOUNTING POLICIES AND STANDARDS

Critical Accounting Policies and Estimates Because of the size of the financial statement line items they relate to or the extent of judgment required by our management, some of our accounting policies and estimates have a more significant impact on our consolidated financial statements than others. The following policies are presented in the order in which the topics appear in our consolidated statements of income.

Pension and Postretirement Benefits Our actuarial estimates of retiree benefit expense and the associated significant weighted-average assumptions are discussed in Note 15. Our assumed weighted-average discount rates for pension and postretirement benefits of 3.00% and 2.80%, respectively, at December 31, 2021, reflect the hypothetical rate at which the projected benefit obligations could be effectively settled or paid out to participants. We determined our discount rate based on a range of factors, including a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date and corresponding to the related expected durations of future cash outflows for the obligations. These bonds had an average rating of at least Aa3 or AA- by the nationally recognized statistical rating organizations, denominated in U.S. dollars, and neither callable, convertible nor index linked. For the year ended December 31, 2021, when compared to the year ended December 31, 2020, we increased our pension discount rate by 0.30%, resulting in a decrease in our pension plan benefit obligation of \$1,645, and increased our postretirement discount rate by 0.40%, resulting in a decrease in our postretirement benefit obligation of \$341.

Our expected long-term rate of return is 6.75% on pension plan assets and 4.50% on postretirement plan assets for 2022 and for 2021. Our expected return on plan assets is calculated using the actual fair value of plan assets. If all other factors were to remain unchanged, we expect that a 0.50% decrease in the expected long-term rate of return would cause 2022 combined pension and postretirement cost to increase \$272, which under our accounting policy would be adjusted to actual returns in the current year as part of our fourth-quarter remeasurement of our retiree benefit plans.

We recognize gains and losses on pension and postretirement plan assets and obligations immediately in “Other income (expense) – net” in our consolidated statements of income. These gains and losses are generally measured annually as of December 31, and accordingly, will normally be recorded during the fourth quarter, unless an earlier remeasurement is required. Should actual experience differ from actuarial assumptions, the projected pension benefit obligation and net pension cost and accumulated postretirement benefit obligation and postretirement benefit cost would be affected in future years. See Note 15 for additional discussions regarding our assumptions.

Depreciation Our depreciation of assets, including use of composite group depreciation for certain subsidiaries and estimates of useful lives, is described in Notes 1 and 7.

If all other factors were to remain unchanged, we expect that a one-year increase in the useful lives of our plant in service would have resulted in a decrease of approximately \$2,702 in our 2021 depreciation expense and that a one-year decrease would have resulted in an increase of approximately \$3,700 in our 2021 depreciation expense. See Notes 7 and 8 for depreciation and amortization expense applicable to property, plant and equipment, including our finance lease right-of-use assets.

Asset Valuations and Impairments

Goodwill and other indefinite-lived intangible assets are not amortized but tested at least annually on October 1 for impairment. For impairment testing, we estimate fair values using models that predominantly rely on the expected cash flows to be derived from the reporting unit or use of the asset. Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the book value may not be recoverable over the remaining life. Inputs underlying the expected cash flows include, but are not limited to, subscriber counts, revenues from subscriptions, advertising and content, revenue per user, capital investment and acquisition costs per subscriber, production and content costs, and ongoing operating costs. We based our assumptions on a combination of our historical results, trends, business plans and marketplace participant data.

Annual Goodwill Testing

Goodwill is tested on a reporting unit basis by comparing the estimated fair value of each reporting unit to its book value. If the fair value exceeds the book value, then no impairment is measured. We estimate fair values using an income approach (also known as a discounted cash flow model) and a market multiple approach. The income approach utilizes our future cash flow projections with a perpetuity value discounted at an appropriate weighted average cost of capital. The market multiple approach uses the multiples of publicly traded companies whose services are comparable to those offered by the reporting units.

Effective January 1, 2021, we updated our reporting units to reflect changes in how WarnerMedia, an integrated content organization that distributes across various platforms, is managed and evaluated. With this operational change, the reporting unit is deemed to be the operating segment. The previous reporting units, Turner, Home Box Office, Warner Bros., and Xandr, and the new WarnerMedia reporting unit were tested for goodwill impairment on January 1, 2021, for which there was no impairment identified.

As of October 1, 2021, the calculated fair values of the reporting units exceeded their book values in all circumstances; however, the WarnerMedia segment fair value exceeded its book value by less than 10% with increased investment in content and distribution expenses affecting fair value. For all reporting units, if either the projected rate of long-term growth of cash flows or revenues declined by 0.5%, or if the weighted average cost of capital increased by 0.5%, the fair values would still be higher than the book value of the goodwill. In the event of a 10% drop in the fair values of the reporting units, the fair values still would have exceeded the book values of the reporting units. For the WarnerMedia reporting unit as of October 1, 2021, if the projected rate of longer-term growth of cash flows or revenues declined by 4.4%, or if the weighted average cost of capital increased by 0.6%, it would have resulted in impairment of the goodwill.

U.S. Wireless Licenses

The fair value of U.S. wireless licenses is assessed using a discounted cash flow model (the Greenfield Approach) and a qualitative collaborative market approach based on auction prices, depending upon auction activity. The Greenfield Approach assumes a company initially owns only the wireless licenses and makes investments required to build an operation comparable to current use. These licenses are tested annually for impairment on an aggregated basis, consistent with their use on a national scope for the United States. For impairment testing, we assume subscriber and revenue growth will trend up to projected levels, with a long-term growth rate reflecting expected long-term inflation trends. We assume churn rates will initially exceed our current experience but decline to rates that are in line with industry-leading churn. We used a discount rate of 9.25%, based on the optimal long-term capital structure of a market participant and its associated cost of debt and equity for the licenses, to calculate the present value of the projected cash flows. If either the projected rate of long-term growth of cash flows or revenues declined by 0.5%, or if the discount rate increased by 0.5%, the fair values of these wireless licenses would still be higher than the book value of the licenses. The fair value of these wireless licenses exceeded their book values by more than 10%.

Other Finite-Lived Intangibles

Customer relationships, licenses in Mexico and other finite-lived intangible assets are reviewed for impairment whenever events or circumstances indicate that the book value may not be recoverable over their remaining life. For this analysis, we compare the expected undiscounted future cash flows attributable to the asset to its book value. When the asset's book value exceeds undiscounted future cash flows, an impairment is recorded to reduce the book value of the asset to its estimated fair value (see Notes 7 and 9).

Vrio Business

In the second quarter of 2021, we classified the Vrio disposal group as held-for-sale and reported the disposal group at fair value less cost to sell, which resulted in a noncash, pre-tax impairment charge of \$4,555, including approximately \$2,100 related to accumulated foreign currency translation adjustments and \$2,500 related to property, plant and equipment and intangible assets. Approximately \$80 of the impairment was attributable to noncontrolling interest. Vrio was sold in November 2021, resulting in the release of the accumulated foreign currency translation adjustments from accumulated other comprehensive income. (See Notes 3, 7 and 9)

Income Taxes Our estimates of income taxes and the significant items giving rise to the deferred assets and liabilities are shown in Note 14 and reflect our assessment of actual future taxes to be paid on items reflected in the financial statements, giving consideration to both timing and probability of these estimates. Actual income taxes could vary from these estimates due to future changes in income tax law or the final review of our tax returns by federal, state or foreign tax authorities.

We use our judgment to determine whether it is more likely than not that we will sustain positions that we have taken on tax returns and, if so, the amount of benefit to initially recognize within our financial statements. We regularly review our uncertain tax positions and adjust our unrecognized tax benefits (UTBs) in light of changes in facts and circumstances, such as changes in tax law, interactions with taxing authorities and developments in case law. These adjustments to our UTBs may affect our income tax expense. Settlement of uncertain tax positions may require use of our cash.

New Accounting Standards

See Note 1 for discussion of recently issued or adopted accounting standards.

OTHER BUSINESS MATTERS

Spectrum Auction On February 24, 2021, the FCC announced that AT&T was the winning bidder for 1,621 C-Band licenses, comprised of a total of 80 MHz nationwide, including 40 MHz in Phase I. We provided to the FCC an upfront deposit of \$550 in 2020 and cash payments totaling \$22,856 in the first quarter of 2021, for a total of \$23,406. We received the licenses in July 2021 and classified the auction deposits, related capitalized interest and billed relocation costs as “Licenses – Net” on our December 31, 2021 consolidated balance sheet. In December 2021, we paid \$955 of Incentive Payments for the clearing of Phase I spectrum and estimate that we will be responsible for an additional \$2,112 upon clearing of Phase II spectrum, expected by the end of 2023. Additionally, we are responsible for approximately \$1,000 of compensable relocation costs over the next several years as the spectrum is being cleared by satellite operators, of which \$650 was paid in the fourth quarter of 2021.

On January 14, 2022, the FCC announced that we were the winning bidder for 1,624 3.45 GHz licenses in Auction 110. We provided the FCC an upfront deposit of \$123 in the third quarter of 2021 and will pay the remaining \$8,956 in the first quarter of 2022, for a total of \$9,079. We intend to fund the purchase price using cash and short-term investments.

Video Business On July 31, 2021, we closed our transaction with TPG to form a new company named DIRECTV, which is jointly governed by a board with representation from both AT&T and TPG, with TPG having tie-breaking authority on certain key decisions. With the close of the transaction, we separated our Video business, comprised of our U.S. video operations, and began accounting for our investment in DIRECTV under the equity method.

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

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

WarnerMedia On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery, Inc. (Discovery). The agreement is structured as a Reverse Morris Trust transaction, under which WarnerMedia will be distributed to AT&T’s shareholders via a pro rata dividend, an exchange offer, or a combination of both, followed by its combination with Discovery. The transaction is expected to be tax-free to AT&T and AT&T’s shareholders. AT&T will receive approximately \$43,000 (subject to working capital and other adjustments) in a combination of cash, debt securities, and WarnerMedia’s retention of certain debt. AT&T’s shareholders will receive stock representing approximately 71% of the new company; Discovery shareholders will own approximately 29% of the new company.

On February 1, 2022, we announced that we will structure the distribution as a spin-off rather than an exchange offer. Upon closing of the transaction, each AT&T shareholder will receive, on a tax-free basis, an estimated 0.24 shares of the new company for each share of AT&T common stock held as of the record date for the pro rata distribution. The exact number of shares to be received by AT&T shareholders for each AT&T common share will be determined closer to the closing based on the number of shares of AT&T common stock outstanding and the number of shares of Discovery common stock outstanding on an as-converted and as-exercised basis. AT&T shareholders will continue to hold the same number of shares of AT&T common stock after the transaction closes.

The transaction is expected to close in the second quarter of 2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals. No vote is required by AT&T shareholders. Upon close of the transaction, WarnerMedia will be deconsolidated.

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

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

AT&T Inc.

Dollars in millions except per share amounts

On September 20, 2021, we sold WarnerMedia's mobile games app studio, Playdemic Ltd. for approximately \$1,370 in cash and recognized a pre-tax gain of \$706. Playdemic was excluded from the pending WarnerMedia/Discovery transaction.

On December 21, 2021, we entered into an agreement to sell the marketplace component of Xandr, our WarnerMedia advertising business that was not included in the WarnerMedia/Discovery transaction, to Microsoft, which is expected to close in 2022, subject to customary regulatory approvals.

Vrio On November 15, 2021, we sold our Latin America video operations, Vrio, to Grupo Wertheim. In the second quarter of 2021, we classified the Vrio disposal group as held-for-sale and reported the disposal group at fair value less cost to sell, which resulted in a noncash, pre-tax impairment charge of \$4,555, including approximately \$2,100 related to accumulated foreign currency translation adjustments and \$2,500 related to property, plant and equipment and intangible assets. Approximately \$80 of the impairment was attributable to noncontrolling interest. We retained our 41.3% interest in SKY Mexico, a leading pay-TV provider in Mexico.

Labor Contracts As of January 31, 2022, we employed approximately 203,000 persons. Approximately 37% of our employees are represented by the Communications Workers of America (CWA), the International Brotherhood of Electrical Workers (IBEW) or other unions. After expiration of the collective bargaining agreements, work stoppages or labor disruptions may occur in the absence of new contracts or other agreements being reached. The main contracts included the following:

- A contract covering approximately 12,000 Mobility employees in 36 states and the District of Columbia is set to expire in February 2022.
- A contract covering approximately 6,000 wireline employees in five Midwest states that was set to expire in April 2022 was extended for a four-year period until April 2026.
- A contract covering approximately 3,000 MW IBEW employees is set to expire in June 2022.
- A contract covering approximately 2,000 AT&T Corp. employees nationwide that was set to expire in April 2022 was extended for a four-year period until April 2026.
- A contract covering approximately 170 Teamsters Alascom employees in Alaska is set to expire in February 2022.

Environmental We are subject from time to time to judicial and administrative proceedings brought by various governmental authorities under federal, state or local environmental laws. We reference in our Forms 10-Q and 10-K certain environmental proceedings that could result in monetary sanctions (exclusive of interest and costs) of three hundred thousand dollars or more. However, we do not believe that any of those currently pending will have a material adverse effect on our results of operations.

LIQUIDITY AND CAPITAL RESOURCES

For the years ended December 31,	2021	2020	2019
Cash provided by operating activities	\$ 41,957	\$ 43,130	\$ 48,668
Cash used in investing activities	(32,089)	(13,548)	(16,690)
Cash provided by (used in) financing activities	1,578	(32,007)	(25,083)

At December 31,	2021	2020
Cash and cash equivalents	\$ 21,169	\$ 9,740
Total debt	177,354	157,245

We had \$21,169 in cash and cash equivalents available at December 31, 2021. Cash and cash equivalents included cash of \$5,204 and money market funds and other cash equivalents of \$15,965. Approximately \$2,706 of our cash and cash equivalents were held by our foreign entities in accounts predominantly outside of the U.S. and may be subject to restrictions on repatriation.

Cash and cash equivalents increased \$11,429 since December 31, 2020. In 2021, cash inflows were primarily provided by cash receipts from operations, including cash from our sale and transfer of our receivables to third parties, the disposition of businesses, including our recently completed U.S. video business transaction, and issuance of long-term debt and commercial paper. These inflows were offset by cash used to meet the needs of the business, including, but not limited to, payment of operating expenses, spectrum acquisitions, funding capital expenditures and vendor financing payments, investment in WarnerMedia content and dividends to stockholders. We maintain significant availability under our credit facilities and our commercial paper program to meet our short-term liquidity requirements.

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

Refer to “Contractual Obligations” discussion below for additional information regarding our cash requirements, including payments required for Auction 110 which was completed in January 2022. We will make the remaining payment of \$8,956 for Auction 110 spectrum in the first quarter of 2022, funded with cash and short-term investments.

Cash Provided by or Used in Operating Activities

During 2021, cash provided by operating activities was \$41,957 compared to \$43,130 in 2020, reflecting higher content investment and the separation of the U.S. video business, partially offset by higher receivable securitizations in 2021. Total cash paid for WarnerMedia’s content investment was \$19,164 in 2021, an increase of \$4,266 over 2020.

We actively manage the timing of our supplier payments for operating items to optimize the use of our cash. Among other things, we seek to make payments on 90-day or greater terms, while providing the suppliers with access to bank facilities that permit earlier payments at their cost. In addition, for payments to a key supplier, as part of our working capital initiatives, we have arrangements that allow us to extend payment terms up to 90 days at an additional cost to us (referred to as supplier financing). The net impact of supplier financing was to improve cash from operating activities \$25 in 2021 and \$432 in 2020. All supplier financing payments are due within one year.

Cash Used in or Provided by Investing Activities

During 2021, cash used in investing activities totaled \$32,089, and consisted primarily of \$16,527 (including interest during construction) for capital expenditures, and acquisitions of \$25,453, which includes C-Band spectrum licenses won in Auction 107, associated capitalized interest, clearing and compensable relocation costs. Investing activities also included cash receipts of approximately \$5,370 (excluding cash on hand and \$1,800 of financing activities) from the separation of our Video business and \$2,910 from the sale of Otter Media assets and Playdemic. In 2021, we received a return of investment of \$1,323 from DIRECTV representing distributions in excess of cumulative equity in earnings from DIRECTV (see Note 10).

On January 14, 2022, the FCC announced that we were the winning bidder for 1,624 3.45 GHz licenses in Auction 110. We provided the FCC an upfront deposit of \$123 in the third quarter of 2021 and will pay the remaining \$8,956 in the first quarter of 2022, for a total of \$9,079. We intend to fund the purchase price using cash and short-term investments. (See Note 6)

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. Vendor financing payments were \$4,596 in 2021, compared to \$2,966 in 2020. Capital expenditures in 2021 were \$16,527, and when including \$4,596 cash paid for vendor financing and excluding \$515 of FirstNet reimbursements, gross capital investment was \$21,638 (\$1,934 higher than the prior year).

The vast majority of our capital expenditures are spent on our networks, including product development and related support systems. In 2021, we placed \$5,282 of equipment in service under vendor financing arrangements (compared to \$4,664 in 2020) and approximately \$750 of assets related to the FirstNet build (compared to \$1,230 in 2020). Total reimbursements from the government for FirstNet were \$865 for 2021 and \$1,626 for 2020, predominantly for capital expenditures.

The amount of our capital expenditures is influenced by demand for services and products, capacity needs and network enhancements. In 2022, we expect that our gross capital investment, which includes capital expenditures and cash paid for vendor financing, will be in the \$24,000 range with capital expenditures in the \$20,000 range.

Cash Used in or Provided by Financing Activities

In 2021, cash provided by financing activities totaled \$1,578 and was comprised of debt issuances and repayments, payments of dividends, and vendor financing payments. We also paid approximately \$459 in cash on the \$1,800 note payable to DIRECTV (see Note 6 and Note 20).

AT&T Inc.

Dollars in millions except per share amounts

A tabular summary of our debt activity during 2021 is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year 2021
Net commercial paper borrowings ¹	\$ 7,072	\$ (513)	\$ (2)	\$ 4	\$ 6,561
Issuance of Notes and Debentures ² :					
U.S. dollar denominated global notes	\$ 6,000	\$ —	\$ —	\$ —	\$ 6,000
<i>Initial average rate of 1.27%</i>					
Euro denominated global notes (converted to USD at issuance)	1,461	—	—	—	1,461
<i>Rate of 0.00%</i>					
2021 Syndicated Term Loan	7,350	—	—	—	7,350
BAML Bilateral Term Loan	2,000	—	—	—	2,000
Private financing	750	—	—	—	750
Other	636	—	835	—	1,471
Debt Issuances	\$ 18,197	\$ —	\$ 835	\$ —	\$ 19,032
Repayments:					
Private financing	\$ (649)	\$ —	\$ —	\$ —	\$ (649)
2.650% Euro denominated global notes due 2021	—	—	—	(1,349)	(1,349)
Other	(253)	(253)	(498)	(140)	(1,144)
Repayments of long-term debt	\$ (902)	\$ (253)	\$ (498)	\$ (1,489)	\$ (3,142)

¹ Includes \$1,316 net issuance of commercial paper with original maturities of three months or less, \$12,755 of commercial paper issued greater than 90 days and \$7,510 of commercial paper repaid greater than 90 days.

² Includes credit agreement borrowing.

The weighted average interest rate of our long-term debt portfolio, including, credit agreement borrowings and the impact of derivatives, was approximately 3.8% as of December 31, 2021 and 4.1% as of December 31, 2020. We had \$169,147 of total notes and debentures outstanding at December 31, 2021, which included Euro, British pound sterling, Canadian dollar, Mexican peso, Australian dollar, and Swiss franc denominated debt that totaled approximately \$41,249.

At December 31, 2021, we had \$24,630 of debt maturing within one year, consisting of \$6,586 of commercial paper borrowings, \$10,100 of credit agreement borrowings, and \$7,944 of long-term debt issuances.

During 2021, we paid \$4,596 of cash under our vendor financing program, compared to \$2,966 in 2020. Total vendor financing payables included in our December 31, 2021 consolidated balance sheet were approximately \$5,000, with \$3,950 due within one year (in “Accounts payable and accrued liabilities”) and the remainder predominantly due within five years (in “Other noncurrent liabilities”).

At December 31, 2021, we had approximately 178 million shares remaining from our share repurchase authorizations approved by the Board of Directors in 2014.

We paid dividends on common shares and preferred shares of \$15,068 in 2021, compared with \$14,956 in 2020.

Dividends on common stock declared by our Board of Directors totaled \$2.08 per share in both 2021 and 2020. 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 share, or approximately \$8,000 per year, following the close of the WarnerMedia/Discovery transaction.

Our 2022 financing activities will focus on managing our debt level and paying dividends, subject to approval by our Board of Directors. We plan to fund our financing uses of cash through a combination of cash from operations, issuance of debt, and asset sales. The timing and mix of any debt issuance and/or refinancing will be guided by credit market conditions and interest rate trends.

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 December 31, 2021.

On January 29, 2021, we entered into a \$14,700 Term Loan Credit Agreement (2021 Syndicated Term Loan), with Bank of America, N.A., as agent. On March 23, 2021, we borrowed \$7,350 under the 2021 Syndicated Term Loan, and the remaining \$7,350 of lenders' commitments was terminated. As of December 31, 2021, \$7,350 was outstanding and is due on March 22, 2022.

In March 2021, we entered into and drew on a \$2,000 term loan credit agreement (BAML Bilateral Term Loan) consisting of (i) a \$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. At December 31, 2021, \$2,000 was outstanding under these facilities.

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

Each of our credit and loan agreements contains covenants that are customary for an issuer with an investment grade senior debt credit rating as well as a net debt-to-EBITDA financial ratio covenant requiring AT&T to maintain, as of the last day of each fiscal quarter through June 30, 2023, a ratio of not more than 4.0-to-1, and a ratio of not more than 3.5-to-1 for any fiscal quarter thereafter. As of December 31, 2021, we were in compliance with the covenants for our credit facilities.

Collateral Arrangements

Most of our counterparty collateral arrangements require cash collateral posting by AT&T only when derivative market values exceed certain thresholds. Under these arrangements, which cover approximately 97% of our approximate \$41,000 derivative portfolio, counterparties are still required to post collateral. During 2021, we posted approximately \$770 of cash collateral, on a net basis. Cash postings under these arrangements vary with changes in credit ratings and netting agreements. (See Note 13)

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 December 31, 2021, our debt ratio was 49.1%, compared to 46.7% at December 31, 2020 and 44.7% at December 31, 2019. Our net debt ratio was 43.2% at December 31, 2021, compared to 43.8% at December 31, 2020 and 41.4% at December 31, 2019. The debt ratio is affected by the same factors that affect total capital, and reflects our recent debt issuances and repayments.

A significant amount of our cash outflows is related to tax items, acquisition of spectrum through FCC auctions and benefits paid for current and former employees:

- Total taxes incurred, collected and remitted by AT&T during 2021 and 2020, were \$21,739 and \$21,967. These taxes include income, franchise, property, sales, excise, payroll, gross receipts and various other taxes and fees.
- Total domestic spectrum acquired primarily through FCC auctions, including cash, exchanged spectrum and auction deposits was approximately \$25,400 in 2021, \$2,800 in 2020 and \$1,300 in 2019.
- Total health and welfare benefits provided to certain active and retired employees and their dependents totaled \$3,617 in 2021 and \$3,656 in 2020, with \$1,163 paid from plan assets in 2021 compared to \$1,029 in 2020. Of those benefits, \$3,210 related to medical and prescription drug benefits in 2021 compared to \$3,293 in 2020. In addition, in 2021, we prefunded \$685 for future benefit payments versus \$745 in 2020. We paid \$5,942 of pension benefits out of plan assets in 2021 compared to \$5,124 in 2020.

On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment with a subsidiary of Discovery. The transaction is anticipated to close in the second quarter of 2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals. We expect to receive \$43,000 (subject to working capital and other adjustments) in a combination of cash, debt securities, and WarnerMedia's retention of certain debt. (See Note 6)

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

Contractual Obligations

Our contractual obligations as of December 31, 2021, and the estimated timing of payment, are in the following table:

	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations ¹	\$ 181,449	\$ 18,185	\$ 19,301	\$ 17,041	\$ 126,922
Interest payments on long-term debt ²	117,454	6,710	12,624	11,400	86,720
Purchase obligations ³	77,621	28,860	24,585	11,636	12,540
Operating lease obligations ⁴	29,852	4,922	8,472	5,772	10,686
FirstNet sustainability payments ⁵	17,400	195	390	1,785	15,030
Unrecognized tax benefits ⁶	10,108	268	—	—	9,840
Other finance obligations ⁷	12,724	4,635	2,414	1,524	4,151
Note payable to DIRECTV	1,341	1,245	96	—	—
Total Contractual Obligations	\$ 447,949	\$ 65,020	\$ 67,882	\$ 49,158	\$ 265,889

¹ Represents principal or payoff amounts of notes, debentures and credit agreement borrowings at maturity or, for puttable debt, the next put opportunity (see Note 12). Foreign debt includes the impact from hedges, when applicable.

² Includes credit agreement borrowings.

³ We expect to fund the purchase obligations with cash provided by operations or through incremental borrowings. Consists of commitments primarily related to network programming at WarnerMedia, spectrum acquisitions and other commercial commitments. The minimum commitment for certain obligations is based on termination penalties that could be paid to exit the contracts. (See Note 22)

⁴ Represents operating lease payments (see Note 8).

⁵ Represents contractual commitment to make sustainability payments over the 25-year contract. These sustainability payments represent our commitment to fund FirstNet's operating expenses and future reinvestment in the network, which we own and operate. FirstNet has a statutory requirement to reinvest funds that exceed the agency's operating expenses, which we anticipate to be \$15,000. (See Note 21)

⁶ The noncurrent portion of the UTBs is included in the "More than 5 Years" column, as we cannot reasonably estimate the timing or amounts of additional cash payments, if any, at this time (see Note 14).

⁷ Represents future minimum payments under the Crown Castle and other arrangements (see Note 19), payables subject to extended payment terms (see Note 23) and finance lease payments (see Note 8).

Certain items were excluded from this table, as the year of payment is unknown and could not be reliably estimated since past trends were not deemed to be an indicator of future payment, we believe the obligations are immaterial or because the settlement of the obligation will not require the use of cash. These items include: deferred income tax liability of \$65,226 (see Note 14); net postemployment benefit obligations of \$13,927 (including current portion); and other noncurrent liabilities of \$13,409.

Contractual obligations at December 31, 2021 include approximately \$36,912 of commitments related to our WarnerMedia segment, which we have entered into an agreement to combine with Discovery (see Note 6).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks primarily from changes in interest rates and foreign currency exchange rates. These risks, along with other business risks, impact our cost of capital. It is our policy to manage our debt structure and foreign exchange exposure in order to manage capital costs, control financial risks and maintain financial flexibility over the long term. In managing market risks, we employ derivatives according to documented policies and procedures, including interest rate swaps, interest rate locks, foreign currency exchange contracts and combined interest rate foreign currency contracts (cross-currency swaps). We do not use derivatives for trading or speculative purposes. We do not foresee significant changes in the strategies we use to manage market risk in the near future.

One of the most significant assumptions used in estimating our postretirement benefit obligations is the assumed weighted-average discount rate, which is the hypothetical rate at which the projected benefit obligations could be effectively settled or paid out to participants. We determined our discount rate based on a range of factors, including a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date and corresponding to the related expected durations of future cash outflows for the obligations. In recent years, the discount rates have been increasingly volatile, and on average have been lower than in historical periods. Lower discount rates used to measure our pension and postretirement plans result in higher obligations. Future increases in these rates could result in lower obligations, improved funded status and actuarial gains.

Interest Rate Risk

The majority of our financial instruments are medium- and long-term fixed-rate notes and debentures. Changes in interest rates can lead to significant fluctuations in the fair value of these instruments. The principal amounts by expected maturity, average interest rate and fair value of our liabilities that are exposed to interest rate risk are described in Notes 12 and 13. In managing interest expense, we control our mix of fixed and floating rate debt through term loans, floating rate notes, and interest rate swaps. We have established interest rate risk limits that we closely monitor by measuring interest rate sensitivities in our debt and interest rate derivatives portfolios.

Most of our foreign-denominated long-term debt has been swapped from fixed-rate or floating-rate foreign currencies to fixed-rate U.S. dollars at issuance through cross-currency swaps, removing interest rate risk and foreign currency exchange risk associated with the underlying interest and principal payments. Likewise, periodically we enter into interest rate locks to partially hedge the risk of increases in the benchmark interest rate during the period leading up to the probable issuance of fixed-rate debt. We expect gains or losses in our cross-currency swaps and interest rate locks to offset the losses and gains in the financial instruments they hedge.

We had no interest rate swaps and no interest rate locks at December 31, 2021.

Foreign Exchange Risk

We principally use foreign exchange contracts to hedge certain film production costs denominated in foreign currencies. We are also exposed to foreign currency exchange risk through our foreign affiliates and equity investments in foreign companies. We have designated €1,450 million aggregate principal amount of debt as a hedge of the variability of certain Euro-denominated net investments of our subsidiaries. The gain or loss on the debt that is designated as, and is effective as, an economic hedge of the net investment in a foreign operation is recorded as a currency translation adjustment within accumulated other comprehensive income, net on the consolidated balance sheet.

Through cross-currency swaps, most of our foreign-denominated debt has been swapped from fixed-rate or floating-rate foreign currencies to fixed-rate U.S. dollars at issuance, removing interest rate and foreign currency exchange risk associated with the underlying interest and principal payments. We expect gains or losses in our cross-currency swaps to offset the gains and losses in the financial instruments they hedge. We had cross-currency swaps with a notional value of \$40,737 and a fair value of \$(2,959) outstanding at December 31, 2021.

For the purpose of assessing specific risks, we use a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our financial instruments and results of operations. We had foreign exchange forward contracts with a notional value of \$30 and a fair value of \$(33) outstanding at December 31, 2021.

Report of Management

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles. The integrity and objectivity of the data in these financial statements, including estimates and judgments relating to matters not concluded by year end, are the responsibility of management, as is all other information included in the Annual Report, unless otherwise indicated.

The financial statements of AT&T Inc. (AT&T) have been audited by Ernst & Young LLP, Independent Registered Public Accounting Firm. Management has made available to Ernst & Young LLP all of AT&T's financial records and related data, as well as the minutes of stockholders' and directors' meetings. Furthermore, management believes that all representations made to Ernst & Young LLP during its audit were valid and appropriate.

Management maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by AT&T 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 by the Securities and Exchange Commission's rules and forms.

Management also seeks to ensure the objectivity and integrity of its financial data by the careful selection of its managers, by organizational arrangements that provide an appropriate division of responsibility and by communication programs aimed at ensuring that its policies, standards and managerial authorities are understood throughout the organization.

The Audit Committee of the Board of Directors meets periodically with management, the internal auditors and the independent auditors to review the manner in which they are performing their respective responsibilities and to discuss auditing, internal accounting controls and financial reporting matters. Both the internal auditors and the independent auditors periodically meet alone with the Audit Committee and have access to the Audit Committee at any time.

Assessment of Internal Control

The management of AT&T is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934. AT&T's internal control system was designed to provide reasonable assurance to the company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

AT&T management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2021. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework* (2013 framework). Based on its assessment, AT&T management believes that, as of December 31, 2021, the company's internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report, has issued an attestation report on the company's internal control over financial reporting.

/s/John T. Stankey

John T. Stankey
Chief Executive Officer
and President

/s/Pascal Desroches

Pascal Desroches
Senior Executive Vice President
and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of AT&T Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AT&T Inc. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule listed in Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 16, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Discount rates used in determining pension and postretirement benefit obligations

Description of the Matter

At December 31, 2021, the Company's pension benefit obligation was \$57,212 million and exceeded the fair value of defined benefit pension plan assets of \$54,401 million, resulting in an unfunded benefit obligation of \$2,811 million. Additionally, at December 31, 2021, the Company's postretirement benefit obligation was \$12,552 million and exceeded the fair value of postretirement plan assets of \$3,198 million, resulting in an unfunded benefit obligation of \$9,354 million. As explained in Note 15 to the consolidated financial statements, the Company updates the assumptions used to measure the defined benefit pension and postretirement benefit obligations, including discount rates, at December 31 or upon a remeasurement event. The Company determines the discount rates used to measure the obligations based on the development of a yield curve using high-quality corporate bonds selected to yield cash flows that correspond to the expected timing and amount of the expected future benefit payments.

Auditing the defined benefit pension and postretirement benefit obligations was complex due to the judgmental nature of the actuarial assumptions made by management, primarily the discount rate, used in the Company's measurement process. The discount rate has a significant effect on the measurement of the defined benefit pension and postretirement benefit obligations, and auditing the discount rate was complex because it required an evaluation of the credit quality of the corporate bonds used to develop the discount rate and the correlation of those bonds' cash inflows to the timing and amount of future expected benefit payments.

*How We
Addressed the Matter in
Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of certain controls over management's review of the determination of the discount rates used in the defined benefit pension and postretirement benefit obligations calculations.

To test the determination of the discount rate used in the calculation of the defined benefit pension and postretirement benefit obligations, we performed audit procedures that focused on evaluating, with the assistance of our actuarial specialists, the determination of the discount rates, among other procedures. For example, we evaluated the selected yield curve used to determine the discount rates applied in measuring the defined benefit pension and postretirement benefit obligations. As part of this assessment, we considered the credit quality of the corporate bonds that comprise the yield curve and compared the timing and amount of cash flows at maturity with the expected amounts and duration of the related benefit payments.

Evaluation of goodwill for impairment

*Description of the
Matter*

At December 31, 2021, the Company's goodwill balance was \$133,223 million. As discussed in Note 1 to the consolidated financial statements, reporting unit goodwill is tested at least annually for impairment. Estimating fair values in connection with these impairment evaluations involves the utilization of discounted cash flow models and market multiples valuation approaches.

Auditing management's annual goodwill impairment test for the reporting units was complex because the estimation of fair values involves subjective management assumptions, such as estimates of the projected rates of discrete and long-term growth of cash flows and weighted average cost of capital. These assumptions are forward-looking and could be affected by shifts in the evolving market landscape. Changes in these assumptions can have a material effect on the determination of fair value.

*How We Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's impairment evaluation processes. Our procedures included testing controls over management's review of the valuation models and the significant assumptions described above.

Our audit procedures to test management's impairment evaluations included, among others, assessing the valuation methodologies and significant assumptions discussed above and the underlying data used to develop such assumptions. For example, we compared the significant assumptions to current industry, market and economic trends, and other guideline companies in the same industry. Where appropriate, we evaluated whether changes to the Company's business model, customer base and other factors would affect the significant assumptions. We also assessed the historical accuracy of management's estimates and performed independent sensitivity analyses. We involved our valuation specialists to assist us in performing our audit procedures to test the estimated fair values of the Company's reporting units.

Accounting for the investment in DIRECTV

Description of the Matter

As discussed in Notes 6 and 10, on July 31, 2021, the Company closed on a transaction with TPG to form a new company named DIRECTV Entertainment Holdings, LLC (DIRECTV). In connection with the transaction, the Company contributed its U.S. Video business unit to DIRECTV for \$4,250 million of junior preferred units, an additional distribution preference of \$4,200 million and a 70% economic interest in common units. DIRECTV was considered a variable interest entity for accounting purposes. The Company concluded that it was not the primary beneficiary and accordingly deconsolidated DIRECTV and accounted for its investment under the equity method of accounting. The initial fair value of the Company's investment in DIRECTV on July 31, 2021 was \$6,852 million, which was determined using a discounted cash flow model, reflecting distribution rights and preference of the individual instruments.

Auditing management's application of the variable interest entity consolidation model to this transaction, and its initial estimate of the fair value of the Company's investment in DIRECTV, required significant judgment. In particular, management's assessment of whether the Company is the primary beneficiary under the variable interest model required significant judgment to determine the activities of the investee that most significantly impact the investee's economics, and management applied significant judgment in determining and applying the valuation model used to estimate the initial fair value of the Company's investment in DIRECTV.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's application of the variable interest entity consolidation model, including the identification of the activities that most significantly impact DIRECTV's economics, and its selection and application of the model used to estimate the initial fair value of the Company's investment in DIRECTV.

Our audit procedures to test the appropriateness of management's application of the variable interest entity consolidation model to the DIRECTV transaction included, among others, evaluating the design and purpose of the variable interest entity, and assessing the terms of the arrangement, that were relevant to the evaluation of DIRECTV's significant activities. Our procedures to test the valuation of AT&T's investment in DIRECTV included, among others, involving our valuation specialists in assessing the reasonableness of the selected valuation methodology, performing an independent calculation, and performing sensitivity analysis for certain assumptions in the model.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1999.

Dallas, Texas
February 16, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of AT&T Inc.

Opinion on Internal Control Over Financial Reporting

We have audited AT&T Inc.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, AT&T Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 consolidated financial statements of the Company and our report dated February 16, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Dallas, Texas
February 16, 2022

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Statements of Income

	2021	2020	2019
Operating Revenues			
Service	\$ 146,391	\$ 152,767	\$ 163,499
Equipment	22,473	18,993	17,694
Total operating revenues	168,864	171,760	181,193
Operating Expenses			
Cost of revenues			
Equipment	23,778	19,706	18,653
Broadcast, programming and operations	24,797	27,305	31,132
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	31,232	32,909	34,356
Selling, general and administrative	37,944	38,039	39,422
Asset impairments and abandonments	4,904	18,880	1,458
Depreciation and amortization	22,862	28,516	28,217
Total operating expenses	145,517	165,355	153,238
Operating Income	23,347	6,405	27,955
Other Income (Expense)			
Interest expense	(6,884)	(7,925)	(8,422)
Equity in net income of affiliates	631	95	6
Other income (expense) – net	9,853	(1,431)	(1,071)
Total other income (expense)	3,600	(9,261)	(9,487)
Income (Loss) Before Income Taxes	26,947	(2,856)	18,468
Income tax expense	5,468	965	3,493
Net Income (Loss)	21,479	(3,821)	14,975
Less: Net Income Attributable to Noncontrolling Interest	(1,398)	(1,355)	(1,072)
Net Income (Loss) Attributable to AT&T	\$ 20,081	\$ (5,176)	\$ 13,903
Less: Preferred Stock Dividends	(207)	(193)	(3)
Net Income (Loss) Attributable to Common Stock	\$ 19,874	\$ (5,369)	\$ 13,900
Basic Earnings Per Share Attributable to Common Stock	\$ 2.77	\$ (0.75)	\$ 1.90
Diluted Earnings Per Share Attributable to Common Stock	\$ 2.76	\$ (0.75)	\$ 1.89

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

	2021	2020	2019
Net income (loss)	\$ 21,479	\$ (3,821)	\$ 14,975
Other comprehensive income (loss), net of tax:			
Foreign Currency:			
Translation adjustment (includes \$(2), \$(59) and \$(9) attributable to noncontrolling interest), net of taxes of \$(44), \$(42) and \$18	(127)	(929)	19
Reclassification adjustment included in net income (loss), net of taxes of \$204, \$0 and \$0	2,087	—	—
Securities:			
Net unrealized gains (losses), net of taxes of \$(21), \$27 and \$17	(63)	78	50
Reclassification adjustment included in net income (loss), net of taxes of \$(1), \$(5) and \$0	(3)	(15)	—
Derivative Instruments:			
Net unrealized gains (losses), net of taxes of \$(192), \$(212) and \$(240)	(715)	(811)	(900)
Reclassification adjustment included in net income (loss), net of taxes of \$19, \$18 and \$12	72	69	45
Defined benefit postretirement plans:			
Net prior service (cost) credit arising during period, net of taxes of \$(8), \$735 and \$1,134	(34)	2,250	3,457
Amortization of net prior service credit included in net income (loss), net of taxes of \$(660), \$(601) and \$(475)	(2,020)	(1,841)	(1,459)
Other comprehensive income (loss)	(803)	(1,199)	1,212
Total comprehensive income (loss)	20,676	(5,020)	16,187
Less: Total comprehensive income attributable to noncontrolling interest	(1,396)	(1,296)	(1,063)
Total Comprehensive Income (Loss) Attributable to AT&T	\$ 19,280	\$ (6,316)	\$ 15,124

The accompanying notes are an integral part of the consolidated financial statements.

AT&T Inc.

Dollars in millions except per share amounts

Consolidated Balance Sheets

	December 31,	
	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 21,169	\$ 9,740
Accounts receivable – net of related allowance for credit loss of \$771 and \$1,221	17,571	20,215
Inventories	3,464	3,695
Prepaid and other current assets	17,793	18,358
Total current assets	59,997	52,008
Noncurrent Inventories and Theatrical Film and Television Production Costs	18,983	14,752
Property, Plant and Equipment – Net	125,904	127,315
Goodwill	133,223	135,259
Licenses – Net	113,830	93,840
Trademarks and Trade Names – Net	21,938	23,297
Distribution Networks – Net	11,942	13,793
Other Intangible Assets – Net	11,783	15,386
Investments in and Advances to Equity Affiliates	7,274	1,780
Operating Lease Right-Of-Use Assets	24,180	24,714
Other Assets	22,568	23,617
Total Assets	\$ 551,622	\$ 525,761
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	\$ 24,630	\$ 3,470
Note payable to DIRECTV	1,245	—
Accounts payable and accrued liabilities	50,661	50,051
Advanced billings and customer deposits	5,303	6,176
Dividends payable	3,749	3,741
Total current liabilities	85,588	63,438
Long-Term Debt	152,724	153,775
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	65,226	60,472
Postemployment benefit obligation	12,649	18,276
Operating lease liabilities	21,261	22,202
Other noncurrent liabilities	30,223	28,358
Noncurrent portion of note payable to DIRECTV	96	—
Total deferred credits and other noncurrent liabilities	129,455	129,308
Stockholders' Equity		
Preferred stock (\$1 par value, 10,000,000 authorized at December 31, 2021 and December 31, 2020):		
Series A (48,000 issued and outstanding at December 31, 2021 and December 31, 2020)	—	—
Series B (20,000 issued and outstanding at December 31, 2021 and December 31, 2020)	—	—
Series C (70,000 issued and outstanding at December 31, 2021 and December 31, 2020)	—	—
Common stock (\$1 par value, 14,000,000,000 authorized at December 31, 2021 and December 31, 2020; issued 7,620,748,598 at December 31, 2021 and December 31, 2020)	7,621	7,621
Additional paid-in capital	130,112	130,175
Retained earnings	42,350	37,457
Treasury stock (479,684,705 at December 31, 2021 and 494,826,583 at December 31, 2020, at cost)	(17,280)	(17,910)
Accumulated other comprehensive income	3,529	4,330
Noncontrolling interest	17,523	17,567
Total stockholders' equity	183,855	179,240
Total Liabilities and Stockholders' Equity	\$ 551,622	\$ 525,761

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	2021	2020	2019
Operating Activities			
Net income (loss)	\$ 21,479	\$ (3,821)	\$ 14,975
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	22,862	28,516	28,217
Amortization of film and television costs	11,006	8,603	9,587
Distributed (undistributed) earnings from investments in equity affiliates	184	38	295
Provision for uncollectible accounts	1,240	1,972	2,575
Deferred income tax expense	5,246	1,675	1,806
Net (gain) loss on investments, net of impairments	(927)	(742)	(1,218)
Pension and postretirement benefit expense (credit)	(3,848)	(2,992)	(2,002)
Actuarial (gain) loss on pension and postretirement benefits	(4,140)	4,169	5,171
Asset impairments and abandonments	4,904	18,880	1,458
Changes in operating assets and liabilities:			
Receivables	(634)	2,216	2,812
Other current assets, inventories and theatrical film and television production costs	(16,472)	(13,070)	(12,852)
Accounts payable and other accrued liabilities	1,636	(1,410)	(1,524)
Equipment installment receivables and related sales	(265)	(1,429)	548
Deferred customer contract acquisition and fulfillment costs	52	376	(910)
Postretirement claims and contributions	(822)	(985)	(1,008)
Other – net	456	1,134	738
Total adjustments	20,478	46,951	33,693
Net Cash Provided by Operating Activities	41,957	43,130	48,668
Investing Activities			
Capital expenditures	(16,527)	(15,675)	(19,635)
Acquisitions, net of cash acquired	(25,453)	(1,851)	(1,809)
Dispositions	8,740	3,641	4,684
Distributions from DIRECTV in excess of cumulative equity in earnings	1,323	—	—
Other – net	(172)	337	70
Net Cash Used in Investing Activities	(32,089)	(13,548)	(16,690)
Financing Activities			
Net change in short-term borrowings with original maturities of three months or less	1,316	(17)	(276)
Issuance of other short-term borrowings	21,856	9,440	4,012
Repayment of other short-term borrowings	(7,510)	(9,467)	(6,904)
Issuance of long-term debt	9,931	31,988	17,039
Repayment of long-term debt	(3,142)	(39,964)	(27,592)
Note payable to DIRECTV, net of payments of \$459	1,341	—	—
Payment of vendor financing	(4,596)	(2,966)	(3,050)
Issuance of preferred stock	—	3,869	1,164
Purchase of treasury stock	(202)	(5,498)	(2,417)
Issuance of treasury stock	96	105	631
Issuance of preferred interests in subsidiaries	—	1,979	7,876
Redemption of preferred interest in subsidiary	—	(1,950)	—
Dividends paid	(15,068)	(14,956)	(14,888)
Other – net	(2,444)	(4,570)	(678)
Net Cash Provided by (Used in) Financing Activities	1,578	(32,007)	(25,083)
Net increase (decrease) in cash and cash equivalents and restricted cash	11,446	(2,425)	6,895
Cash and cash equivalents and restricted cash beginning of year	9,870	12,295	5,400
Cash and Cash Equivalents and Restricted Cash End of Year	\$ 21,316	\$ 9,870	\$ 12,295

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

	2021		2020		2019	
	Shares	Amount	Shares	Amount	Shares	Amount
Preferred Stock – Series A						
Balance at beginning of year	—	\$ —	—	\$ —	—	\$ —
Issuance of stock	—	—	—	—	—	—
Balance at end of year	—	\$ —	—	\$ —	—	\$ —
Preferred Stock – Series B						
Balance at beginning of year	—	\$ —	—	\$ —	—	\$ —
Issuance of stock	—	—	—	—	—	—
Balance at end of year	—	\$ —	—	\$ —	—	\$ —
Preferred Stock – Series C						
Balance at beginning of year	—	\$ —	—	\$ —	—	\$ —
Issuance of stock	—	—	—	—	—	—
Balance at end of year	—	\$ —	—	\$ —	—	\$ —
Common Stock						
Balance at beginning of year	7,621	\$ 7,621	7,621	\$ 7,621	7,621	\$ 7,621
Issuance of stock	—	—	—	—	—	—
Balance at end of year	7,621	\$ 7,621	7,621	\$ 7,621	7,621	\$ 7,621
Additional Paid-In Capital						
Balance at beginning of year		\$ 130,175		\$ 126,279		\$ 125,525
Repurchase and acquisition of common stock		—		67		—
Issuance of preferred stock		—		3,869		1,164
Issuance of treasury stock		(76)		(62)		(125)
Share-based payments		13		18		(271)
Changes related to acquisition of interests held by noncontrolling owners		—		4		(14)
Balance at end of year		\$ 130,112		\$ 130,175		\$ 126,279
Retained Earnings						
Balance at beginning of year		\$ 37,457		\$ 57,936		\$ 58,753
Cumulative effect of accounting changes and other adjustments		—		(293)		316
Adjusted beginning balance		37,457		57,643		59,069
Net income (loss) attributable to AT&T		20,081		(5,176)		13,903
Preferred stock dividends		(224)		(139)		(8)
Common stock dividends (\$2.08, \$2.08, and \$2.05 per share)		(14,964)		(14,871)		(15,028)
Balance at end of year		\$ 42,350		\$ 37,457		\$ 57,936

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity - continued

	2021		2020		2019	
	Shares	Amount	Shares	Amount	Shares	Amount
Treasury Stock						
Balance at beginning of year	(495)	\$ (17,910)	(366)	\$ (13,085)	(339)	\$ (12,059)
Repurchase and acquisition of common stock	(8)	(237)	(150)	(5,631)	(67)	(2,492)
Issuance of treasury stock	23	867	21	806	40	1,466
Balance at end of year	(480)	\$ (17,280)	(495)	\$ (17,910)	(366)	\$ (13,085)
Accumulated Other Comprehensive Income						
<i>Attributable to AT&T, net of tax:</i>						
Balance at beginning of year		\$ 4,330		\$ 5,470		\$ 4,249
Other comprehensive income (loss) attributable to AT&T		(801)		(1,140)		1,221
Balance at end of year		\$ 3,529		\$ 4,330		\$ 5,470
Noncontrolling Interest:						
Balance at beginning of year		\$ 17,567		\$ 17,713		\$ 9,795
Cumulative effect of accounting changes and other adjustments		—		(7)		29
Adjusted beginning balance		17,567		17,706		9,824
Net income attributable to noncontrolling interest		1,398		1,355		1,072
Issuance and acquisition of noncontrolling owners		7		1,979		7,881
Redemption of noncontrolling interest		—		(1,950)		—
Distributions		(1,447)		(1,464)		(1,055)
Translation adjustments attributable to noncontrolling interest, net of taxes		(2)		(59)		(9)
Balance at end of year		\$ 17,523		\$ 17,567		\$ 17,713
Total Stockholders' Equity at beginning of year		\$ 179,240		\$ 201,934		\$ 193,884
Total Stockholders' Equity at end of year		\$ 183,855		\$ 179,240		\$ 201,934

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation Throughout this document, AT&T Inc. is referred to as “AT&T,” “we” or the “Company.” The consolidated financial statements include the accounts of the Company and subsidiaries and affiliates which we control. AT&T is a holding company whose subsidiaries and affiliates operate worldwide in the telecommunications, media and technology industries.

On July 31, 2021, we closed our transaction with TPG Capital (TPG) to form a new company named DIRECTV Entertainment Holdings, LLC (DIRECTV). With the close of the transaction, we separated and deconsolidated our Video business, comprised of our U.S. video operations, and began accounting for our investment in DIRECTV under the equity method (see Notes 6 and 10). On November 15, 2021, we sold our Latin America video operations, Vrio, to Grupo Wertheim (see Note 6).

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. We treat distributions received from equity method investees as returns on investment and classify them as cash flows from operating activities until those distributions exceed our cumulative equity in the earnings of that investment. We treat the excess amount as a return of investment and classify it as cash flows from investing activities.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions, including other estimates of probable losses and expenses, that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior-period amounts have been conformed to the current period’s presentation.

Accounting Policies and Adopted Accounting Standards

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

Leases As of January 1, 2019, we adopted, with modified retrospective application, the FASB’s ASU No. 2016-02, “Leases (Topic 842)” (ASC 842), which replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements (see Note 8). ASC 842 requires lessees to recognize most leases on their balance sheets as liabilities, with corresponding “right-of-use” assets. For income statement recognition purposes, leases are classified as either a finance or an operating lease without relying upon bright-line tests.

The key change upon adoption of the standard was balance sheet recognition of operating leases, given that the recognition of lease expense on our income statement is similar to our historical accounting. Using the modified retrospective transition method of adoption, we did not adjust the balance sheet for comparative periods but recorded a cumulative effect adjustment to retained earnings on January 1, 2019. We elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed us to carry forward our historical lease classification. We also elected the practical expedient related to land easements, allowing us to carry forward our accounting treatment for land easements on existing agreements that were not accounted for as leases. We excluded leases with original terms of one year or less. Additionally, we elected to not separate lease and non-lease components for certain classes of assets. Our accounting for finance leases did not change from our prior accounting for capital leases.

The adoption of ASC 842 resulted in the recognition of an operating lease liability of \$22,121 and an operating right-of-use asset of the same amount. Existing prepaid and deferred rent accruals were recorded as an offset to the right-of-use asset, resulting in a net asset of \$20,960. The cumulative effect of the adoption to retained earnings was an increase of \$316 reflecting the reclassification of deferred gains related to sale/leaseback transactions. The standard did not materially impact our income statements or statements of cash flows, and had no impact on our covenant compliance under our current debt agreements.

Income Taxes We record deferred income taxes for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the computed tax basis of those assets and liabilities. We record valuation allowances against the deferred tax assets (included, together with our deferred income tax assets, as part of our reportable net deferred income tax liabilities on our consolidated balance sheets), for which the realization is uncertain. We review these items regularly in light of changes in federal and state tax laws and changes in our business.

As of January 1, 2021, we adopted, with modified retrospective application, the FASB's ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" (ASU 2019-12), which is expected to simplify income tax accounting requirements in areas deemed costly and complex. ASU 2019-12 did not have a material impact on our financial statements.

Cash and Cash Equivalents Cash and cash equivalents include all highly liquid investments with original maturities of three months or less. The carrying amounts approximate fair value. At December 31, 2021, we held \$5,204 in cash and \$15,965 in money market funds and other cash equivalents. Of our total cash and cash equivalents, \$2,706 resided in foreign jurisdictions, some of which is subject to restrictions on repatriation.

Allowance for Credit Losses We record expense to maintain an allowance for credit losses for estimated losses that result from the failure or inability of our customers to make required payments deemed collectible from the customer when the service was provided or product was delivered. When determining the allowances for trade receivables and loans, we consider the probability of recoverability of accounts receivable based on past experience, taking into account current collection trends and general economic factors, including bankruptcy rates. We also consider future economic trends to estimate expected credit losses over the lifetime of the asset. Credit risks are assessed based on historical write-offs, net of recoveries, as well as an analysis of the aged accounts receivable balances with allowances generally increasing as the receivable ages. Accounts receivable may be fully reserved for when specific collection issues are known to exist, such as catastrophes or pending bankruptcies.

Inventories Inventories primarily consist of wireless devices and accessories and are valued at the lower of cost or net realizable value.

Licensed Programming Inventory Cost Recognition and Impairment We enter into agreements to license programming exhibition rights from licensors. A programming inventory asset related to these rights and a corresponding liability payable to the licensor are recorded (on a discounted basis if the license agreements are long-term) when (i) the cost of the programming is reasonably determined, (ii) the programming material has been accepted in accordance with the terms of the agreement, (iii) the programming is available for its first showing or telecast, and (iv) the license period has commenced. There are variations in the amortization methods of these rights, depending on whether the network is advertising-supported (e.g., TNT and TBS) or not advertising-supported (e.g., HBO and Turner Classic Movies).

For the advertising-supported networks, our general policy is to amortize each program's costs on a straight-line basis (or per-play basis, if greater) over its license period. In circumstances where the initial airing of the program has more value than subsequent airings, an accelerated method of amortization is used. The accelerated amortization upon the first airing versus subsequent airings is determined based on a study of historical and estimated future advertising sales for similar programming. For rights fees paid for sports programming arrangements, such rights fees are amortized using a revenue-forecast model, in which the rights fees are amortized using the ratio of current period advertising revenue to total estimated remaining advertising revenue over the term of the arrangement.

For premium pay television, streaming and over-the-top (OTT) services that are not advertising-supported, each licensed program's costs are amortized on a straight-line basis over its license period or estimated period of use, beginning with the month of initial exhibition. When we have the right to exhibit feature theatrical programming in multiple windows over a number of years, historical audience viewership is used as the basis for determining the amount of programming amortization attributable to each window.

Licensed programming inventory is carried at the lower of unamortized cost or fair value. For networks that generate both advertising and subscription revenues, the net realizable value of unamortized programming costs is generally evaluated based on the network's programming taken as a whole. In assessing whether the programming inventory for a particular advertising-supported network is impaired, the net realizable value for all of the network's programming inventory is determined based on a projection of the network's profitability. This assessment would occur upon the occurrence of certain triggering events. Similarly, for premium pay television, streaming and OTT services that are not advertising-supported, an evaluation of the fair value of unamortized programming costs is performed based on services' licensed programming taken as a whole. Specifically, the fair value for all premium pay television, streaming and OTT service licensed programming is determined based on projections of estimated subscription revenues less certain costs of delivering and distributing the licensed programming. Changes in management's intended usage of a specific program, such as a decision to no longer exhibit that program and forgo the use of the rights associated with the program license, results in a reassessment of that program's fair value, which could result in an impairment (see Note 11).

Film and Television Production Cost Recognition, Participations and Residuals and Impairments Film and television production costs on our consolidated balance sheets include the unamortized cost of completed theatrical films and television episodes, theatrical films and television series in production and undeveloped film and television rights. Film and television production costs are stated at the lower of cost, less accumulated amortization, or fair value. For films and television programs predominantly monetized individually, the amount of capitalized film and television production costs and the amount of participations and residuals to be recognized as broadcast, programming and operations expenses for a given film or television series in a particular period are determined using the film forecast computation method. Under this method, the amortization of capitalized costs and the accrual of participations and residuals are based on the proportion of the film's (or television program's) revenues recognized for such period to the film's (or television program's) estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a film's (or television program's) life cycle).

The process of estimating a film's ultimate revenues requires us to make a series of judgments related to future revenue-generating activities associated with a particular film. We estimate the ultimate revenues, less additional costs to be incurred (including exploitation and participation costs), in order to determine whether the value of a film or television series is impaired and requires an immediate write-off of unrecoverable film and television production costs. To the extent that the ultimate revenues are adjusted, the resulting gross margin reported on the exploitation of that film or television series in a period is also adjusted. (See Note 11)

Prior to the theatrical release of a film, our estimates are based on factors such as the historical performance of similar films, the star power of the lead actors, the rating and genre of the film, pre-release market research (including test market screenings), international distribution plans and the expected number of theaters in which the film will be released. In the absence of revenues directly related to the exhibition of owned film or television programs on our television networks, premium pay television, streaming or OTT services, we estimate a portion of the unamortized costs that are representative of the utilization of that film or television program in that exhibition and expense such costs as the film or television program is exhibited. The period over which ultimate revenues are estimated generally does not exceed ten years from the initial release of a motion picture or from the date of delivery of the first episode of an episodic television series. Estimates were updated based on information available during the film's production and, upon release, the actual results of each film.

For a film (or television program) predominantly monetized as part of a film (or television program) group, the amount of capitalized film and television production costs is amortized using a reasonably reliable estimate of the portion of unamortized film costs that is representative of the use of the film. Production costs are expensed as the film (or television program) is exhibited or exploited.

Property, Plant and Equipment Property, plant and equipment is stated at cost, except for assets acquired using acquisition accounting, which are initially recorded at fair value (see Note 7). The cost of additions and substantial improvements to property, plant and equipment is capitalized, and includes internal compensation costs for these projects. The cost of maintenance and repairs of property, plant and equipment is charged to operating expenses. Property, plant and equipment costs are depreciated using straight-line methods over their estimated economic lives. Certain subsidiaries follow composite group depreciation methodology. Accordingly, when a portion of their depreciable property, plant and equipment is retired in the ordinary course of business, the gross book value is reclassified to accumulated depreciation, and no gain or loss is recognized on the disposition of these assets.

Property, plant and equipment is reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. We recognize an impairment loss when the carrying amount of a long-lived asset is not recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. (See Note 7)

The liability for the fair value of an asset retirement obligation is recorded in the period in which it is incurred if a reasonable estimate of fair value can be made. In periods subsequent to initial measurement, we recognize period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate. The increase in the carrying value of the associated long-lived asset is depreciated over the corresponding estimated economic life.

Software Costs We capitalize certain costs incurred in connection with developing or obtaining internal-use software. Capitalized software costs are included in “Property, Plant and Equipment – Net” on our consolidated balance sheets. In addition, there is certain network software that allows the equipment to provide the features and functions unique to the AT&T network, which we include in the cost of the equipment categories for financial reporting purposes.

We amortize our capitalized software costs over a three-year to seven-year period, reflecting the estimated period during which these assets will remain in service.

Goodwill and Other Intangible Assets We have the following major classes of intangible assets: goodwill; licenses, which include Federal Communications Commission (FCC) and other wireless licenses; distribution networks; film and television libraries; intellectual properties and franchises; trademarks and trade names; customer lists; and various other finite-lived intangible assets (see Note 9).

Goodwill represents the excess of consideration paid over the fair value of identifiable net assets acquired in business combinations. Wireless licenses provide us with the exclusive right to utilize certain radio frequency spectrum to provide wireless communications services. While wireless licenses are issued for a fixed period of time (generally ten years), renewals of domestic wireless licenses have occurred routinely and at nominal cost. We have determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of our FCC wireless licenses.

We amortize our wireless licenses in Mexico over their average remaining economic life of 25 years.

We acquired the rights to the AT&T and other trade names in previous acquisitions, classifying certain of those trade names as indefinite-lived. We have the effective ability to retain these exclusive rights permanently at a nominal cost.

Goodwill, FCC wireless licenses and other indefinite-lived intangible assets are not amortized but are tested at least annually for impairment. The testing is performed on the value as of October 1 each year, and compares the book values of the assets to their fair values. Goodwill is tested by comparing the carrying amount of each reporting unit, deemed to be our principal operating segments or one level below them, to the fair value using both discounted cash flow as well as market multiple approaches. FCC wireless licenses are tested on an aggregate basis, consistent with our use of the licenses on a national scope, using a discounted cash flow approach. Prior to 2020, orbital slots were similarly aggregated for purposes of impairment testing and valued using a discounted cash flow approach. Trade names are tested by comparing their book values to their fair values calculated using a discounted cash flow approach on a presumed royalty rate derived from the revenues related to each brand name.

Intangible assets that have finite useful lives are amortized over their estimated useful lives (see Note 9). As of January 1, 2020, on a prospective basis, orbital slots were amortized using the sum-of-the-months-digits method of amortization over their average remaining economic life (ceased in 2021 in conjunction with the transfer of the orbital slots as part of the DIRECTV transaction). Customer lists and relationships are amortized using primarily the sum-of-the-months-digits method of amortization over the period in which those relationships are expected to contribute to our future cash flows. Finite-lived trademarks and trade names and distribution networks are amortized using the straight-line method over the estimated useful life of the assets. Film library is amortized using the film forecast computation method, as previously disclosed. The remaining finite-lived intangible assets are generally amortized using the straight-line method. These assets, along with other long-lived assets, are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable (see Note 6).

Advertising Costs We expense advertising costs for products and services or for promoting our corporate image as incurred (see Note 23).

Foreign Currency Translation Our foreign subsidiaries and foreign investments generally report their earnings in their local currencies. We translate their foreign assets and liabilities at exchange rates in effect at the balance sheet dates. We translate their revenues and expenses using average rates during the year. The resulting foreign currency translation adjustments are recorded as a separate component of accumulated OCI in our consolidated balance sheets (see Note 3). Operations in countries with highly inflationary economies use the U.S. dollar as the functional currency.

We hedge a portion of the foreign currency exchange risk involved in certain foreign currency-denominated transactions, which we explain further in our discussion of our methods of managing our foreign currency risk (see Note 13).

Pension and Other Postretirement Benefits See Note 15 for a comprehensive discussion of our pension and postretirement benefits, including a discussion of the actuarial assumptions, our policy for recognizing the associated gains and losses and our method used to estimate service and interest cost components.

New Accounting Standards

Reference Rate Reform In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (ASU 2020-04, as amended), which provides optional expedients, and allows for certain exceptions to existing GAAP, for contract modifications triggered by the expected market transition of certain benchmark interest rates to alternative reference rates. ASU 2020-04 applies to contracts, hedging relationships, certain derivatives and other arrangements that reference the London Interbank Offering Rate (LIBOR) or any other rates ending after December 31, 2022. ASU 2020-04, as amended, became effective immediately. We do not believe our adoption of ASU 2020-04, including optional expedients, will materially impact our financial statements.

Convertible Instruments Beginning with 2022 interim reporting, we will adopt 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 eliminated certain separation models regarding cash conversion and beneficial conversion features to simplify reporting for convertible instruments as a single liability or equity, with no separate accounting for embedded conversion features. Additionally, 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 Mobility II preferred interests in cash (see Note 17), settlement of 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. We are currently evaluating our adoption method and the impact on our financial statements, as our recent decision (February 2022) on methodology of distribution to AT&T’s shareholders (i.e., pro rata dividend) for the pending WarnerMedia transaction could affect the impact of ASU 2020-06 on our financial statements (see Note 6).

Government Assistance In November 2021, the FASB issued ASU No. 2021-10, “Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance” (ASU 2021-10), which requires annual disclosures, 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, under prospective or retrospective application for all in scope government transactions in the financial statements as of our adoption date or thereafter. We are evaluating the disclosure impacts of our adoption of ASU 2021-10.

NOTE 2. EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings per share is shown in the table below:

Year Ended December 31,	2021	2020	2019
Numerators			
Numerator for basic earnings per share:			
Net Income (Loss) Attributable to Common Stock	\$ 19,874	\$ (5,369)	\$ 13,900
Dilutive potential common shares:			
Share-based payment ¹	22	23	21
Numerator for diluted earnings per share	\$ 19,896	\$ (5,346)	\$ 13,921
Denominators (000,000)			
Denominator for basic earnings per share:			
Weighted average number of common shares outstanding	7,168	7,157	7,319
Dilutive potential common shares:			
Share-based payment (in shares) ¹	31	26	29
Denominator for diluted earnings per share	7,199	7,183	7,348

¹ For 2020, dilutive potential common shares are not included in the computation of diluted earnings per share because their effect is antidilutive as a result of the net loss.

In the first quarter of 2020, we completed an accelerated share repurchase agreement with a third-party financial institution to repurchase AT&T common stock (see Note 17). Under the terms of the agreement, we paid the financial institution \$4,000 and received 104.8 million shares.

Upon adoption of ASU 2020-06, the ability to settle our Mobility II preferred interests in stock will be reflected in our diluted earnings per share calculation. The numerator will include an adjustment to add back to income the distributions on the Mobility II preferred interests of \$140 per quarter, or \$560 annually. The denominator will include the potential issuance of AT&T common stock to settle the 320 million 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 Available-for-Sale Securities	Net Unrealized Gains (Losses) on Derivative Instruments	Defined Benefit Postretirement Plans	Accumulated Other Comprehensive Income
Balance as of December 31, 2018	\$ (3,084)	\$ (2)	\$ 818	\$ 6,517	\$ 4,249
Other comprehensive income (loss) before reclassifications	28	50	(900)	3,457	2,635
Amounts reclassified from accumulated OCI	— ¹	— ¹	45 ²	(1,459) ³	(1,414)
Net other comprehensive income (loss)	28	50	(855)	1,998	1,221
Balance as of December 31, 2019	(3,056)	48	(37)	8,515	5,470
Other comprehensive income (loss) before reclassifications	(870)	78	(811)	2,250	647
Amounts reclassified from accumulated OCI	— ¹	(15) ¹	69 ²	(1,841) ³	(1,787)
Net other comprehensive income (loss)	(870)	63	(742)	409	(1,140)
Balance as of December 31, 2020	(3,926)	111	(779)	8,924	4,330
Other comprehensive income (loss) before reclassifications	(125)	(63)	(715)	(34)	(937)
Amounts reclassified from accumulated OCI	2,087 ^{1,4}	(3) ¹	72 ²	(2,020) ³	136
Net other comprehensive income (loss)	1,962	(66)	(643)	(2,054)	(801)
Balance as of December 31, 2021	\$ (1,964)	\$ 45	\$ (1,422)	\$ 6,870	\$ 3,529

¹ (Gains) losses are included in "Other income (expense) – net" in the consolidated statements of income.

² (Gains) losses are included in "Interest expense" in the consolidated statements of income (see Note 13).

³ The amortization of prior service credits associated with postretirement benefits is included in "Other income (expense) – net" in the consolidated statements of income (see Note 15).

⁴ Represents unrealized foreign currency translation adjustments at Vrio that were released upon sale. (See Note 6)

NOTE 4. SEGMENT INFORMATION

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

We also evaluate segment and business unit performance based on EBITDA and/or EBITDA margin. EBITDA is defined as operating contribution excluding equity in net income (loss) of affiliates and depreciation and amortization. We believe EBITDA to be a relevant and useful measurement to our investors as it is part of our internal management reporting and planning processes and it is an important metric that management uses to evaluate operating performance. EBITDA does not give effect to depreciation and amortization expenses incurred in operating contribution nor is it burdened by cash used for debt service requirements and thus does not reflect available funds for distributions, reinvestment or other discretionary uses. EBITDA margin is EBITDA divided by total revenues.

The **Communications segment** provides wireless and wireline telecom and broadband services to consumers located in the U.S. and businesses globally. Our business strategies reflect bundled product offerings that cut across product lines and utilize shared

assets. This segment contains the following business units:

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

The **WarnerMedia segment** develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. WarnerMedia content is distributed through basic networks, Direct-to-Consumer (DTC) or theatrical, TV content and games licensing. Segment results also include Xandr advertising and Otter Media Holdings (Otter Media). We disposed of substantially all Otter Media assets in the third quarter of 2021 (see Note 6).

On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery Inc. (See Note 6)

On December 21, 2021, we entered into an agreement to sell the marketplace component of Xandr to Microsoft Corporation (Microsoft) (see Note 6). We applied held-for-sale accounting for Xandr as of December 31, 2021, and continue to present the Xandr results within the WarnerMedia segment consistent with how performance was assessed and resource allocation decision were made through December 31, 2021.

The **Latin America segment** provides wireless services and equipment in Mexico, and prior to the November 2021 disposition of Vrio, video services in Latin America and the Caribbean. We applied held-for-sale accounting to Vrio as of June 30, 2021 and continued to present the Vrio results within the Latin America segment consistent with how performance was assessed and resource allocation decisions were made until the transaction closed.

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

- *Corporate*, which consists of: (1) businesses no longer integral to our operations or which we no longer actively market, (2) corporate support functions, (3) impacts of corporate-wide decisions for which the individual operating segments are not being evaluated, and (4) the reclassification of the amortization of prior service credits, which we continue to report with segment operating expenses, to consolidated "Other income (expense) – net." Costs previously allocated to the Video business that were retained after the transaction, net of reimbursements from DIRECTV under transition service agreements, are reported in Corporate following the transaction through 2022, to maintain comparability of our operating segment results, and while operational plans and continued cost reduction initiatives are implemented.
- *Video*, which consists of our former U.S. video operations that were contributed to DIRECTV on July 31, 2021 and also includes our share of DIRECTV's earnings as equity in net income of affiliates (see Note 10).
- *Acquisition-related items*, which consists of items associated with the merger and integration of acquired or divested businesses, including amortization of intangible assets.
- *Certain significant items*, which includes (1) employee separation charges associated with voluntary and/or strategic offers, (2) asset impairments and abandonments, and (3) other items for which the segments are not being evaluated.
- *Eliminations and consolidations*, which (1) removes transactions involving dealings between our segments, including channel distribution between WarnerMedia and Video and Vrio prior to separation, and (2) includes adjustments for our reporting of the advertising business.

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

For the year ended December 31, 2021

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Operating Contribution
Communications							
Mobility	\$ 78,254	\$ 46,820	\$ 31,434	\$ 8,122	\$ 23,312	\$ —	\$ 23,312
Business Wireline	23,937	14,755	9,182	5,192	3,990	—	3,990
Consumer Wireline	12,539	8,467	4,072	3,095	977	—	977
Total Communications	114,730	70,042	44,688	16,409	28,279	—	28,279
WarnerMedia	35,632	27,737	7,895	656	7,239	38	7,277
Latin America							
Mexico	2,747	2,652	95	605	(510)	—	(510)
Vrio	2,607	2,302	305	231	74	6	80
Total Latin America	5,354	4,954	400	836	(436)	6	(430)
Segment Total	155,716	102,733	52,983	17,901	35,082	\$ 44	\$ 35,126
Corporate and Other							
Corporate ¹	1,264	4,805	(3,541)	372	(3,913)	(32)	(3,945)
Video	15,513	12,666	2,847	356	2,491	619	3,110
Acquisition-related items	—	299	(299)	4,233	(4,532)	—	(4,532)
Certain significant items	—	4,961	(4,961)	—	(4,961)	—	(4,961)
Eliminations and consolidations	(3,629)	(2,809)	(820)	—	(820)	—	(820)
AT&T Inc.	\$ 168,864	\$ 122,655	\$ 46,209	\$ 22,862	\$ 23,347	\$ 631	\$ 23,978

¹ Includes \$2,680 for the reclassification of prior service credit amortization and approximately \$200 of retained operation and support costs and \$240 of depreciation expense previously allocated to Video, net of reimbursements.

AT&T Inc.

Dollars in millions except per share amounts

For the year ended December 31, 2020

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Operating Contribution
Communications							
Mobility	\$ 72,564	\$ 42,106	\$ 30,458	\$ 8,086	\$ 22,372	\$ —	\$ 22,372
Business Wireline	25,083	15,303	9,780	5,216	4,564	—	4,564
Consumer Wireline	12,318	8,027	4,291	2,914	1,377	—	1,377
Total Communications	109,965	65,436	44,529	16,216	28,313	—	28,313
WarnerMedia	30,442	21,579	8,863	671	8,192	18	8,210
Latin America							
Mexico	2,562	2,636	(74)	513	(587)	—	(587)
Vrio	3,154	2,800	354	520	(166)	24	(142)
Total Latin America	5,716	5,436	280	1,033	(753)	24	(729)
Segment Total	146,123	92,451	53,672	17,920	35,752	\$ 42	\$ 35,794
Corporate and Other							
Corporate ¹	2,207	4,205	(1,998)	310	(2,308)	53	(2,255)
Video	28,610	24,174	4,436	2,262	2,174	—	2,174
Acquisition-related items	—	468	(468)	8,012	(8,480)	—	(8,480)
Certain significant items	—	19,156	(19,156)	14	(19,170)	—	(19,170)
Eliminations and consolidations	(5,180)	(3,615)	(1,565)	(2)	(1,563)	—	(1,563)
AT&T Inc.	\$ 171,760	\$ 136,839	\$ 34,921	\$ 28,516	\$ 6,405	\$ 95	\$ 6,500

¹ Includes \$2,442 for the reclassification of prior service credit amortization.

AT&T Inc.

Dollars in millions except per share amounts

For the year ended December 31, 2019

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Operating Contribution
Communications							
Mobility	\$ 71,056	\$ 40,681	\$ 30,375	\$ 8,054	\$ 22,321	\$ —	\$ 22,321
Business Wireline	25,901	15,839	10,062	4,925	5,137	—	5,137
Consumer Wireline	13,012	7,775	5,237	2,880	2,357	—	2,357
Total Communications	109,969	64,295	45,674	15,859	29,815	—	29,815
WarnerMedia	35,259	24,172	11,087	589	10,498	161	10,659
Latin America							
Mexico	2,869	3,085	(216)	502	(718)	—	(718)
Vrio	4,094	3,378	716	660	56	27	83
Total Latin America	6,963	6,463	500	1,162	(662)	27	(635)
Segment Total	152,191	94,930	57,261	17,610	39,651	\$ 188	\$ 39,839
Corporate and Other							
Corporate ¹	2,203	3,509	(1,306)	645	(1,951)	(182)	(2,133)
Video	32,124	27,275	4,849	2,461	2,388	—	2,388
Acquisition-related items	(72)	960	(1,032)	7,460	(8,492)	—	(8,492)
Certain significant items	—	2,082	(2,082)	43	(2,125)	—	(2,125)
Eliminations and consolidations	(5,253)	(3,735)	(1,518)	(2)	(1,516)	—	(1,516)
AT&T Inc.	\$ 181,193	\$ 125,021	\$ 56,172	\$ 28,217	\$ 27,955	\$ 6	\$ 27,961

¹ Includes \$1,934 for the reclassification of prior service credit amortization.

AT&T Inc.

Dollars in millions except per share amounts

The following table is a reconciliation of operating income (loss) to “Income (Loss) Before Income Taxes” reported in our consolidated statements of income:

	2021	2020	2019
Communications	\$ 28,279	\$ 28,313	\$ 29,815
WarnerMedia	7,277	8,210	10,659
Latin America	(430)	(729)	(635)
Segment Contribution	35,126	35,794	39,839
Reconciling Items:			
Corporate and Other	(3,913)	(2,308)	(1,951)
Video	2,491	2,174	2,388
Merger costs	(299)	(468)	(1,032)
Amortization of intangibles acquired	(4,233)	(8,012)	(7,460)
Asset impairments and abandonments	(4,904)	(18,880)	(1,458)
Gain on spectrum transaction ¹	—	900	—
Employee separation charges and benefit-related losses	(57)	(1,177)	(624)
Other noncash charges (credits), net	—	(13)	(43)
Segment equity in net income of affiliates	(44)	(42)	(188)
Eliminations and consolidations	(820)	(1,563)	(1,516)
AT&T Operating Income	23,347	6,405	27,955
Interest Expense	6,884	7,925	8,422
Equity in net income of affiliates	631	95	6
Other income (expense) – net	9,853	(1,431)	(1,071)
Income (Loss) Before Income Taxes	\$ 26,947	\$ (2,856)	\$ 18,468

¹ Included as a reduction of “Selling, general and administrative expenses” in the consolidated statements of income.

The following table sets forth revenues earned from customers, and property, plant and equipment located in different geographic areas:

	2021		2020		2019	
	Revenues	Net Property, Plant & Equipment	Revenues	Net Property, Plant & Equipment	Revenues	Net Property, Plant & Equipment
United States	\$ 151,631	\$ 120,924	\$ 155,899	\$ 121,208	\$ 161,689	\$ 122,567
Europe	6,079	1,106	5,387	1,152	6,536	1,854
Mexico	3,043	3,462	2,862	3,530	3,198	3,648
Brazil	1,486	20	1,807	694	2,797	1,057
All other Latin America	3,118	115	2,679	485	3,219	544
Asia/Pacific Rim	2,637	240	2,322	203	2,793	390
Other	870	37	804	43	961	68
Total	\$ 168,864	\$ 125,904	\$ 171,760	\$ 127,315	\$ 181,193	\$ 130,128

The following tables present intersegment revenues, assets, investments in equity affiliates and capital expenditures by segment:

Intersegment Reconciliation

	2021	2020	2019
Intersegment revenues			
Communications	\$ 11	\$ 11	\$ 26
WarnerMedia	2,573	3,183	3,318
Latin America	—	—	—
Total Intersegment Revenues	2,584	3,194	3,344
Consolidations	1,045	1,986	1,909
Eliminations and consolidations	\$ 3,629	\$ 5,180	\$ 5,253

At or for the years ended December 31,	2021			2020		
	Assets	Investments in Equity Method Investees	Capital Expenditures	Assets	Investments in Equity Method Investees	Capital Expenditures
Communications	\$ 494,063	\$ —	\$ 14,860	\$ 506,102	\$ —	\$ 14,107
WarnerMedia	154,369	1,122	764	148,037	1,123	699
Latin America	8,874	—	580	15,811	590	708
Corporate and eliminations	(105,684)	6,152	323	(144,189)	67	161
Total	\$ 551,622	\$ 7,274	\$ 16,527	\$ 525,761	\$ 1,780	\$ 15,675

NOTE 5. REVENUE RECOGNITION

We report our revenues net of sales taxes and record certain regulatory fees, primarily Universal Service Fund (USF) fees, on a net basis. No customer accounted for more than 10% of consolidated revenues in 2021, 2020 or 2019.

Wireless, Advanced Data, Legacy Voice & Data Services and Equipment Revenue

We offer service-only contracts and contracts that bundle equipment used to access the services and/or with other service offerings. Some contracts have fixed terms and others are cancellable on a short-term basis (i.e., month-to-month arrangements).

Examples of service revenues include wireless, strategic services (e.g., virtual private network service), and legacy voice and data (e.g., traditional local and long-distance). These services represent a series of distinct services that is considered a separate performance obligation. Service revenue is recognized when services are provided, based upon either usage (e.g., minutes of traffic/bytes of data processed) or period of time (e.g., monthly service fees).

Some of our services require customer premises equipment that, when combined and integrated with AT&T's specific network infrastructure, facilitates the delivery of service to the customer. In evaluating whether the equipment is a separate performance obligation, we consider the customer's ability to benefit from the equipment on its own or together with other readily available resources and if so, whether the service and equipment are separately identifiable (i.e., is the service highly dependent on, or highly interrelated with the equipment). When the equipment does not meet the criteria to be a separate performance obligation (e.g., equipment associated with certain video services), we allocate the total transaction price to the related service. When equipment is a separate performance obligation, we record the sale of equipment when title has passed and the products are accepted by the customer. For devices sold through indirect channels (e.g., national dealers), revenue is recognized when the dealer accepts the device, not upon activation.

Our equipment and service revenues are predominantly recognized on a gross basis, as most of our services do not involve a third party and we typically control the equipment that is sold to our customers.

Revenue recognized from fixed term contracts that bundle services and/or equipment is allocated based on the stand-alone selling price of all required performance obligations of the contract (i.e., each item included in the bundle). Promotional discounts are attributed to each required component of the arrangement, resulting in recognition over the contract term. Stand-alone selling prices are determined by assessing prices paid for service-only contracts (e.g., arrangements where customers bring their own devices) and stand-alone device pricing.

We offer the majority of our customers the option to purchase certain wireless devices in installments over a specified period of time, and, in many cases, they may be eligible to trade in the original equipment for a new device and have the remaining unpaid balance paid or settled. For customers that elect these equipment installment payment programs, at the point of sale, we recognize revenue for the entire amount of revenue allocated to the customer receivable net of fair value of the trade-in right guarantee. The difference between the revenue recognized and the consideration received is recorded as a note receivable when the devices are not discounted and our right to consideration is unconditional. When installment sales include promotional discounts (e.g., “buy one get one free” or equipment discounts with trade-in of a device), the difference between revenue recognized and consideration received is recorded as a contract asset to be amortized over the contract term.

Less commonly, we offer certain customers highly discounted devices when they enter into a minimum service agreement term. For these contracts, we recognize equipment revenue at the point of sale based on a stand-alone selling price allocation. The difference between the revenue recognized and the cash received is recorded as a contract asset that will amortize over the contract term.

Our contracts allow for customers to frequently modify their arrangement, without incurring penalties in many cases. When a contract is modified, we evaluate the change in scope or price of the contract to determine if the modification should be treated as a new contract or if it should be considered a change of the existing contract. We generally do not have significant impacts from contract modifications.

Revenues from transactions between us and our customers are recorded net of revenue-based regulatory fees and taxes. Cash incentives given to customers are recorded as a reduction of revenue. Nonrefundable, upfront service activation and setup fees associated with service arrangements are deferred and recognized over the associated service contract period or customer relationship life.

Subscription Revenue

Subscription revenues from cable networks and premium pay and basic-tier television services are recognized over the license period as programming is provided to affiliates or digital distributors based on negotiated contractual programming rates. When a distribution contract with an affiliate has expired and a new distribution contract has not been executed, revenues are based on estimated rates, giving consideration to factors including the previous contractual rates, inflation, current payments by the affiliate and the status of the negotiations on a new contract. When the new distribution contract terms are finalized, an adjustment to revenue is recorded, if necessary, to reflect the new terms.

Subscription revenues from end-user subscribers are recognized when services are provided, based upon either usage or period of time. Subscription revenues from streaming services are recognized as programming services are provided to customers.

Content Revenue

Feature films typically are produced or acquired for initial exhibition in theaters, followed by distribution, generally commencing within three years of such initial exhibition. Revenues from film rentals by theaters are recognized as the films are exhibited.

Television programs and series are initially produced for broadcast and may be subsequently licensed or sold in physical format and/or electronic delivery. Revenues from the distribution of television programming through broadcast networks, cable networks, first-run syndication and streaming services are recognized when the programs or series are available to the licensee. In certain circumstances, pursuant to the terms of the applicable contractual arrangements, the availability dates granted to customers may precede the date in which the customer can be billed for these sales.

Revenues from sales of feature films and television programming in physical format are recognized at the later of the delivery date or the date when made widely available for sale or rental by retailers based on gross sales less a provision for estimated returns, rebates and pricing allowances. Revenues from the licensing of television programs and series for electronic sell-through or video-on-demand are recognized when the product has been purchased by and made available to the consumer to either download or stream.

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Upfront or guaranteed payments for the licensing of intellectual property are recognized as revenue at either the inception of the license term if the intellectual property has significant standalone functionality or over the corresponding license term if the licensee's ability to derive utility is dependent on our continued support of the intellectual property throughout the license term.

Revenues from the sales of console games are recognized at the later of the delivery date or the date that the product is made widely available for sale or rental by retailers based on gross sales less a provision for estimated returns, rebates and pricing allowances.

Advertising Revenue

Advertising revenues are recognized, net of agency commissions, in the period that the advertisements are aired. If there is a targeted audience guarantee, revenues are recognized for the actual audience delivery and revenues are deferred for any shortfall until the guaranteed audience delivery is met, typically by providing additional advertisements. Advertising revenues from digital properties are recognized as impressions are delivered or the services are performed.

Revenue Categories

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

For the year ended December 31, 2021

	Communications			WarnerMedia	Latin America	Corporate & Other	Elim.	Total
	Mobility	Business Wireline	Consumer Wireline					
Wireless service	\$ 57,260	\$ —	\$ —	\$ —	\$ 1,834	\$ 74	\$ —	\$ 59,168
Video service	—	—	—	—	2,607	14,514	—	17,121
Business service	—	23,224	—	—	—	70	—	23,294
Broadband	—	—	9,085	—	—	—	—	9,085
Subscription	—	—	—	15,596	—	—	—	13,133
DTC (HBO Max) ¹	—	—	—	—	—	—	(1,051)	—
Other ²	—	—	—	—	—	—	(1,412)	—
Content	—	—	—	15,621	—	—	—	12,622
DTC (HBO Max) ³	—	—	—	(1,923)	—	—	—	—
Other ³	—	—	—	(1,076)	—	—	—	—
Advertising	330	—	—	6,522	—	909	(909)	6,852
Legacy voice and data	—	—	1,977	—	—	429	—	2,406
Other	—	—	1,384	892	—	691	(257)	2,710
Total Service	57,590	23,224	12,446	35,632	4,441	16,687	(3,629)	146,391
Equipment	20,664	713	93	—	913	90	—	22,473
Total	\$ 78,254	\$ 23,937	\$ 12,539	\$ 35,632	\$ 5,354	\$ 16,777	\$ (3,629)	\$ 168,864

¹ Represents DTC (HBO Max) intercompany sales to the Communications segment (\$698 with Mobility and \$353 with Consumer Wireline).

² Represents intercompany video distribution arrangements primarily to DIRECTV/U-verse from WarnerMedia prior to August 1, 2021 (see Note 20).

³ Represents intercompany transactions in the WarnerMedia segment.

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For the year ended December 31, 2020

	Communications							Elim.	Total
	Mobility	Business Wireline	Consumer Wireline	WarnerMedia	Latin America	Corporate & Other			
Wireless service	\$ 55,251	\$ —	\$ —	\$ —	\$ 1,656	\$ 528	\$ —	\$ 57,435	
Video service	—	—	—	—	3,154	26,747	—	29,901	
Business service	—	24,313	—	—	—	321	—	24,634	
Broadband	—	—	8,534	—	—	—	—	8,534	
Subscription	—	—	—	13,765	—	—	—	10,655	
DTC (HBO Max) ¹	—	—	—	—	—	—	(468)		
Other ²	—	—	—	—	—	—	(2,642)		
Content	—	—	—	13,083	—	—	—	9,819	
DTC (HBO Max) ³	—	—	—	(2,249)	—	—	—		
Other ³	—	—	—	(1,015)	—	—	—		
Advertising	291	—	—	6,125	—	1,718	(1,718)	6,416	
Legacy voice and data	—	—	2,213	—	—	554	—	2,767	
Other	—	—	1,564	733	—	661	(352)	2,606	
Total Service	55,542	24,313	12,311	30,442	4,810	30,529	(5,180)	152,767	
Equipment	17,022	770	7	—	906	288	—	18,993	
Total	\$ 72,564	\$ 25,083	\$ 12,318	\$ 30,442	\$ 5,716	\$ 30,817	\$ (5,180)	\$ 171,760	

¹ Represents DTC (HBO Max) intercompany sales to the Communications segment (\$285 with Mobility and \$183 with Consumer Wireline).

² Represents intercompany video distribution arrangements primarily to DIRECTV/U-verse from WarnerMedia (see Note 20).

³ Represents intercompany transactions in the WarnerMedia segment.

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	Communications			WarnerMedia	Latin America	Corporate & Other	Elim.	Total
	Mobility	Business Wireline	Consumer Wireline					
Wireless service	\$ 55,039	\$ —	\$ —	\$ —	\$ 1,863	\$ 628	\$ —	\$ 57,530
Video service	—	—	—	—	4,094	30,451	—	34,545
Business service	—	25,116	—	—	—	325	—	25,441
Broadband	—	—	8,403	—	—	—	—	8,403
Subscription	—	—	—	13,651	—	—	—	10,402
DTC (HBO Max) ¹	—	—	—	—	—	—	—	—
Other ²	—	—	—	—	—	—	(3,249)	—
Content	—	—	—	14,938	—	—	—	13,880
DTC (HBO Max) ¹	—	—	—	—	—	—	—	—
Other ³	—	—	—	(1,058)	—	—	—	—
Advertising	292	—	—	6,678	—	1,672	(1,672)	6,970
Legacy voice and data	—	—	2,573	—	—	565	—	3,138
Other	—	—	2,029	1,050	—	443	(332)	3,190
Total Service	55,331	25,116	13,005	35,259	5,957	34,084	(5,253)	163,499
Equipment	15,725	785	7	—	1,006	171	—	17,694
Total	\$ 71,056	\$ 25,901	\$ 13,012	\$ 35,259	\$ 6,963	\$ 34,255	\$ (5,253)	\$ 181,193

¹ HBO Max was launched in May 2020.

² Represents intercompany video distribution arrangements primarily to DIRECTV/U-verse from WarnerMedia (see Note 20).

³ Represents intercompany transactions in the WarnerMedia segment.

Deferred Customer Contract Acquisition and Fulfillment Costs

Costs to acquire and fulfill customer contracts, including commissions on service activations, for our wireless, business wireline 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 at December 31:

<i>Consolidated Balance Sheets</i>	2021	2020
Deferred Acquisition Costs		
Prepaid and other current assets	\$ 2,550	\$ 3,087
Other Assets	3,248	3,198
Total deferred customer contract acquisition costs	\$ 5,798	\$ 6,285
Deferred Fulfillment Costs		
Prepaid and other current assets	\$ 2,601	\$ 4,118
Other Assets	4,148	5,634
Total deferred customer contract fulfillment costs	\$ 6,749	\$ 9,752

The decline in deferred acquisition and fulfillment costs from December 31, 2020 reflects the July 2021 separation of the U.S. Video business. At separation, we removed \$1,218 of deferred acquisitions costs (\$693 originally classified as “Prepaid and other current assets” and \$525 originally classified as “Other assets”) and \$2,025 of deferred fulfillment costs (\$1,134 originally classified as “Prepaid and other current assets” and \$891 originally classified as “Other assets”). (See Note 6)

The following table presents deferred customer contract acquisition and fulfillment cost amortization included in “Other cost of revenue” for the year ended December 31:

<i>Consolidated Statements of Income</i>	2021	2020
Deferred acquisition cost amortization	\$ 3,072	\$ 2,755
Deferred fulfillment cost amortization	4,019	5,110

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 at December 31:

<i>Consolidated Balance Sheets</i>	2021	2020
Contract asset	\$ 4,517	\$ 3,501
Current portion in “Prepaid and other current assets”	2,684	2,054
Contract liability	5,644	6,879
Current portion in “Advanced billings and customer deposits”	5,112	6,071

Our contract asset balance in 2021 reflects 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.

Changes in our contract asset and contract liability from December 31, 2020 include the impact of the July 2021 separation of the U.S. Video business. At separation, the contract asset was reduced \$303 and the contract liability was reduced \$1,098, both of which were predominantly the current portion. (See Note 6)

Our beginning of period contract liabilities recorded as customer contract revenue during 2021 was \$5,662.

Remaining Performance Obligations

Remaining performance obligations primarily relate to our Communications segment and represent services we are required to provide to customers under bundled or discounted arrangements, which are satisfied as services are provided over the contract term. In our WarnerMedia segment, the most significant remaining performance obligations relate to the licensing of theatrical and television content which will be made available to customers at some point in the future. In determining the transaction price allocated, we do not include non-recurring charges and estimates for usage, nor do we consider arrangements with an original expected duration of less than one year, which are primarily prepaid wireless 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 December 31, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations was \$42,678, of which we

expect to recognize approximately 57% by the end of 2022, with the balance recognized thereafter.

NOTE 6. ACQUISITIONS, DISPOSITIONS AND OTHER ADJUSTMENTS

Acquisitions

Spectrum Auctions On February 24, 2021, the Federal Communications Commission (FCC) announced that AT&T was the winning bidder for 1,621 C-Band licenses, comprised of a total of 80 MHz nationwide, including 40 MHz in Phase I. We provided to the FCC an upfront deposit of \$550 in 2020 and cash payments totaling \$22,856 in the first quarter of 2021, for a total of \$23,406. We received the licenses in July 2021 and classified the auction deposits, related capitalized interest and billed relocation costs as “Licenses – Net” on our December 31, 2021 consolidated balance sheet. In December 2021, we paid \$955 of Incentive Payments upon clearing of Phase I spectrum and estimate that we will pay \$2,112 upon clearing of Phase II spectrum, expected by the end of 2023. Additionally, we are responsible for approximately \$1,000 of compensable relocation costs over the next several years as the spectrum is being cleared by satellite operators, of which \$650 was paid in the fourth quarter of 2021. Cash paid, including spectrum deposits (net of refunds), capitalized interest, and any payments for incentive and relocation costs are included in “Acquisitions, net of cash acquired” on our consolidated statements of cash flows. Interest is capitalized until the spectrum is ready for its intended use. Funding for the purchase price of the spectrum included a combination of cash on hand and short-term investments, as well as short- and long-term debt.

On January 14, 2022, the FCC announced that we were the winning bidder for 1,624 3.45 GHz licenses in Auction 110. We provided the FCC an upfront deposit of \$123 in the third quarter of 2021 and will pay the remaining \$8,956 in the first quarter of 2022, for a total of \$9,079. We intend to fund the purchase price using cash and short-term investments.

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

In December 2019, we acquired \$982 of 24 GHz spectrum in an FCC auction.

HBO Latin America Group (HBO LAG) In May 2020, we acquired the remaining interest in HBO LAG for \$141, net of cash acquired. At acquisition, we remeasured the fair value of the total business, which exceeded the carrying amount of our equity method investment and resulted in a pre-tax gain of \$68. We consolidated that business upon close and recorded those assets at fair value, including \$640 of trade names, \$271 of distribution networks and \$346 of goodwill that is reported in the WarnerMedia segment.

Dispositions

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

In connection with the transaction, we contributed our U.S. Video business unit to DIRECTV for \$4,250 of junior preferred units, an additional distribution preference of \$4,200 and a 70% economic interest in common units (collectively “equity considerations”). TPG contributed approximately \$1,800 in cash to DIRECTV for \$1,800 of senior preferred units and a 30% economic interest in common units. See Note 10 for additional information on our accounting for our investment in DIRECTV.

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

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

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

Current assets	\$	4,893
Property, plant and equipment – net		2,673
Licenses – net		5,798
Other intangible assets – net		1,634
Other assets		1,787
Total Video assets	\$	16,785
Current liabilities	\$	4,267
Long-term debt		206
Other noncurrent liabilities		343
Total Video liabilities	\$	4,816

Vrio On November 15, 2021, we completed the sale of our Latin America video operations, Vrio, to Grupo Werthein and recorded a note receivable of \$610 to be paid over four years, of which \$300 is in the form of seller financing and the remainder is related to working capital adjustments. In the second quarter of 2021, we classified the Vrio disposal group as held-for-sale and reported the disposal group at fair value less cost to sell, which resulted in a noncash, pre-tax impairment charge of \$4,555, including approximately \$2,100 related to accumulated foreign currency translation adjustments and \$2,500 related to property, plant and equipment and intangible assets. Approximately \$80 of the impairment was attributable to noncontrolling interest. The assets and liabilities removed from our consolidated balance sheet included \$851 of Vrio held-for-sale assets primarily related to deferred customer contract acquisition and fulfillment costs, prepaids and other deferred charges, and \$2,872 of related liabilities primarily for reserves associated with accumulated foreign currency translation adjustments, which reversed against accumulated other comprehensive income upon close of the transaction. This disposition did not result in a net material gain or loss. We continue to hold a 41.3% interest in SKY Mexico, a leading pay-TV provider in Mexico.

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

Playdemic Ltd. On September 20, 2021, we sold WarnerMedia’s mobile games app studio, Playdemic Ltd. (Playdemic) for approximately \$1,370 in cash and recognized a pre-tax gain of \$706 in “Other income (expense) – net,” on our consolidated statement of income. Approximately \$600 of goodwill was removed related to this business. Playdemic was excluded from the pending WarnerMedia/Discovery transaction.

Central European Media Enterprises Ltd. (CME) On October 13, 2020, we completed the sale of our 65.3% interest in CME, a European broadcasting company, for approximately \$1,100. This disposition did not result in a material gain or loss. Upon close, we received relief from a debt guarantee originally covering approximately \$1,100 that was reduced to \$600 at the time of the sale.

Operations in Puerto Rico On October 31, 2020, we completed the sale of our previously held-for-sale wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands for approximately \$1,950 and recorded a pre-tax loss of \$82. Upon sale we removed held-for-sale assets (“Prepaid and other current assets”) and held-for-sale liabilities (“Accounts payable and accrued liabilities”) that primarily consisted of FCC licenses (approximately \$1,100), allocated goodwill (approximately \$250), net property, plant and equipment (approximately \$850) and net tax liabilities (approximately \$500), previously reported on our consolidated balance sheets. The proceeds were used to redeem \$1,950 of cumulative preferred interests in a subsidiary that held notes secured by the proceeds of this sale.

Hudson Yards In June 2019, we sold our ownership in Hudson Yards North Tower Holdings LLC under a sale-leaseback arrangement for cash proceeds of \$2,081 and recorded a loss of approximately \$100 resulting from transaction costs (primarily real estate transfer taxes).

Hulu In April 2019, we sold our ownership interest in Hulu for cash proceeds of \$1,430 and recorded a pre-tax gain of \$740.

Pending Dispositions

WarnerMedia On May 17, 2021, we entered into an agreement to combine our WarnerMedia segment, subject to certain exceptions, with a subsidiary of Discovery, Inc. (Discovery). The agreement is structured as a Reverse Morris Trust transaction, under which WarnerMedia will be distributed to AT&T's shareholders via a pro rata dividend, an exchange offer, or a combination of both, followed by its combination with Discovery. The transaction is expected to be tax-free to AT&T and AT&T's shareholders. AT&T will receive approximately \$43,000 (subject to working capital and other adjustments) in a combination of cash, debt securities, and WarnerMedia's retention of certain debt. AT&T's shareholders will receive stock representing approximately 71% of the new company; Discovery shareholders will own approximately 29% of the new company.

On February 1, 2022, we announced that we will structure the distribution as a spin-off rather than an exchange offer. Upon closing of the transaction, each AT&T shareholder will receive, on a tax-free basis, an estimated 0.24 shares of the new company for each share of AT&T common stock held as of the record date for the pro rata distribution. The exact number of shares to be received by AT&T shareholders for each AT&T common share will be determined closer to the closing based on the number of shares of AT&T common stock outstanding and the number of shares of Discovery common stock outstanding on an as-converted and as-exercised basis. AT&T shareholders will continue to hold the same number of shares of AT&T common stock after the transaction closes.

The transaction is expected to close in the second quarter of 2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals. No vote is required by AT&T shareholders. Upon close of the transaction, WarnerMedia will be deconsolidated.

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

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

Xandr On December 21, 2021, we entered into an agreement to sell the marketplace component of Xandr, primarily representing the AppNexus business, to Microsoft, which is expected to close in 2022, subject to customary regulatory approvals. This advertising business is included in our WarnerMedia segment and is excluded from the WarnerMedia/Discovery transaction. We applied held-for-sale accounting treatment to the related assets and liabilities of this business, resulting in approximately \$550 of goodwill and other intangible assets being reclassified to "Prepaid and other current assets" as of December 31, 2021.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows at December 31:

	Lives (years)	2021	2020
Land	-	\$ 2,458	\$ 2,571
Buildings and improvements	2-44	39,306	39,418
Central office equipment ¹	3-10	97,069	95,981
Cable, wiring and conduit	15-50	79,961	75,409
Satellites	14-17	103	908
Other equipment	3-20	86,830	90,883
Software	3-7	17,916	18,482
Under construction	-	5,845	4,099
		329,488	327,751
Accumulated depreciation and amortization		203,584	200,436
Property, plant and equipment – net		\$ 125,904	\$ 127,315

¹ Includes certain network software.

Our depreciation expense was \$18,629 in 2021, \$20,504 in 2020, and \$20,758 in 2019. Depreciation expense included amortization of software totaling \$3,021 in 2021, \$3,483 in 2020 and \$3,313 in 2019.

In December 2020, we reassessed our grouping of long-lived assets and identified certain impairment indicators, requiring us to evaluate the recoverability of the long-lived assets of our former video business. Based on this evaluation, we determined that these assets were not fully recoverable and recognized pre-tax impairment charges totaling \$7,255, of which \$1,681 relates to property, plant and equipment, including satellites. The reduced carrying amounts of the impaired assets became their new cost basis.

In 2019, we recorded a noncash pre-tax charge of \$1,290 to abandon copper assets that we no longer expect will be utilized to support future network activity. The abandonment was considered outside the ordinary course of business.

NOTE 8. LEASES

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

The components of lease expense were as follows:

	2021	2020	2019
Operating lease cost	\$ 5,793	\$ 5,896	\$ 5,684
Finance lease cost:			
Amortization of right-of-use assets	\$ 256	\$ 287	\$ 271
Interest on lease obligation	162	156	169
Total finance lease cost	\$ 418	\$ 443	\$ 440

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

	2021	2020	2019
Cash Flows from Operating Activities			
Cash paid for amounts included in lease obligations:			
Operating cash flows from operating leases	\$ 5,012	\$ 4,852	\$ 4,583
Supplemental Lease Cash Flow Disclosures			
Operating lease right-of-use assets obtained in exchange for new operating lease obligations	\$ 4,581	\$ 5,270	\$ 7,818

The following tables set forth supplemental balance sheet information related to leases at December 31:

	2021	2020
Operating Leases		
Operating lease right-of-use assets	\$ 24,180	\$ 24,714
Accounts payable and accrued liabilities	\$ 3,706	\$ 3,537
Operating lease obligation	21,261	22,202
Total operating lease obligation	\$ 24,967	\$ 25,739

Finance Leases

Property, plant and equipment, at cost	\$ 2,609	\$ 3,586
Accumulated depreciation and amortization	(1,120)	(1,361)
Property, plant and equipment – net	\$ 1,489	\$ 2,225
Current portion of long-term debt	\$ 137	\$ 189
Long-term debt	1,484	1,847
Total finance lease obligation	\$ 1,621	\$ 2,036

	2021	2020
Weighted-Average Remaining Lease Term (years)		
Operating leases	8.4	8.5
Finance leases	8.4	9.9
Weighted-Average Discount Rate		
Operating leases	3.7 %	4.1 %
Finance leases	7.8 %	8.1 %

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

At December 31, 2021	Operating Leases	Finance Leases
2022	\$ 4,922	\$ 299
2023	4,502	283
2024	3,970	257
2025	3,232	246
2026	2,540	243
Thereafter	10,686	1,068
Total lease payments	29,852	2,396
Less: imputed interest	(4,885)	(775)
Total	\$ 24,967	\$ 1,621

NOTE 9. GOODWILL AND OTHER INTANGIBLE ASSETS

We test goodwill for impairment at a reporting unit level, which is deemed to be our principal operating segments or one level below. With our annual impairment testing as of October 1, 2021, the calculated fair values of the reporting units exceeded their book values in all circumstances; however, the WarnerMedia fair value exceeded its book value by less than 10%, with industry trends and our content distribution strategy affecting fair value.

Effective January 1, 2021, we updated our reporting units to reflect recent changes in how WarnerMedia, an integrated content organization that distributes across various platforms, is managed and evaluated. With this operational change, the reporting unit is deemed to be the operating segment. The previous reporting units, Turner, Home Box Office, Warner Bros., and Xandr, and the new WarnerMedia reporting unit were tested for goodwill impairment on January 1, 2021, for which no impairment was identified.

Changes to our goodwill in 2021 primarily resulted from the following transactions (see Note 6):

- The agreement to sell our marketplace component of Xandr, our advertising business within the WarnerMedia segment. Approximately \$400 of goodwill was allocated to the business and classified as held-for-sale.
- Our disposition of substantially all the assets of Otter Media and removal of \$885 of associated goodwill.
- Our sale of WarnerMedia's mobile games app studio, Playdemic and removal of \$600 of associated goodwill.

Other changes to our goodwill in 2021 primarily resulted from the sale of our Government Solutions business and foreign currency translation.

In December 2020, we changed our management strategy and reevaluated our former domestic video business, allowing us to maximize value in our former domestic video business and further accelerate our ability to innovate and execute in our fast-growing broadband and fiber business. The strategy change required us to reassess the grouping and recoverability of the former video business long-lived assets. In conjunction with the strategy change, we separated the former Entertainment Group reporting unit into two reporting units, Video and Consumer Wireline, which includes legacy telephony operations. Our recoverability assessment resulted in \$7,255 of long-lived asset impairment in the former video business, including \$4,373 for orbital slots and \$1,201 for customer lists. The change in reporting units required the historical Entertainment Group goodwill to be assigned to the separate Video and Consumer Wireline reporting units, for which we used the relative fair value allocation methodology. The affected reporting units were then tested for goodwill impairment. We recorded an impairment of the entire \$8,253 of goodwill allocated to the Video reporting unit. No goodwill impairment was required in the Consumer Wireline reporting unit. We closed our transaction with TPG and deconsolidated Video in the third quarter of 2021 (see Note 6).

In the second quarter of 2020, driven by significant and adverse economic and political environments in Latin America, including the impact of COVID-19, we experienced accelerated subscriber losses and revenue decline in the region, as well as closure of our operations in Venezuela. When combining these business trends and higher weighted-average cost of capital resulting from the increase in country-risk premiums in the region, we concluded that it was more likely than not that the fair value of the Vrio reporting unit, estimated using discounted cash flow and market multiple approaches, was less than its carrying amount. We recorded a \$2,212 goodwill impairment in the Vrio reporting unit, with \$105 attributable to noncontrolling interest. Vrio was sold in the fourth quarter of 2021 (see Note 6).

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Other changes to our goodwill in 2020 resulted from foreign currency translation, the held-for-sale treatment of Crunchyroll and our acquisition of the remaining interest in HBO LAG (see Note 6). In 2020, Xandr was combined with our WarnerMedia segment.

At December 31, 2021, our Communications segment has three reporting units: Mobility, Business Wireline and Consumer Wireline. The reporting unit is deemed to be the operating segment for WarnerMedia and Latin America.

The following table sets forth the changes in the carrying amounts of goodwill by operating segment:

	2021			2020				
	Balance at Jan. 1	Dispositions, currency exchange and other	Balance at Dec. 31	Balance at Jan. 1	Acquisitions	Impairments	Dispositions, currency exchange and other	Balance at Dec. 31
Communications	\$ 91,976	\$ (76)	\$ 91,900	\$ 100,234	\$ —	\$ (8,253)	\$ (5)	\$ 91,976
WarnerMedia	42,447	(1,940)	40,507	42,345	415	—	(313)	42,447
Latin America	836	(20)	816	3,662	—	(2,212)	(614)	836
Total	\$ 135,259	\$ (2,036)	\$ 133,223	\$ 146,241	\$ 415	\$ (10,465)	\$ (932)	\$ 135,259

We review amortizing intangible assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable over the remaining life of the asset or asset group, including the video business previously discussed.

In 2021, as a result of the separation of our U.S. video business (see Note 6), we removed \$5,798 of orbital slot licenses and \$1,585 of customer lists that were transferred to DIRECTV. As a result of the transaction to sell our Latin America video operations (see Note 6), we classified the Vrio disposal group as held-for-sale and reported the disposal group at fair value less cost to sell, which resulted in the impairment of certain intangibles related to this business, including \$241 for customer lists, \$632 for trade names and \$89 for amortizable wireless licenses. Indefinite-lived wireless licenses increased in 2021 due to recent auction activity (see Note 6).

In 2020, we changed the estimated lives of our orbital slot licenses from indefinite to finite-lived and began amortizing them over their average remaining economic life of 15 years (see Note 1).

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Our other intangible assets at December 31 are summarized as follows:

Other Intangible Assets	Weighted-Average Life	2021			2020		
		Gross Carrying Amount	Accumulated Amortization	Currency Translation Adjustment	Gross Carrying Amount	Accumulated Amortization	Currency Translation Adjustment
Amortized intangible assets:							
Wireless licenses	21.6 years	\$ 3,083	\$ 307	\$ (440)	\$ 2,979	\$ 271	\$ (421)
Orbital slots	N/A	—	—	—	5,825	—	—
Trademarks and trade names	38.3 years	18,781	2,077	(7)	20,016	1,518	(442)
Distribution network	10.0 years	18,399	6,457	—	18,414	4,621	—
Released television and film content	17.8 years	10,939	6,978	—	10,940	6,240	—
Customer lists and relationships	11.2 years	637	483	(98)	4,100	1,645	(460)
Other	22.3 years	10,987	3,221	—	11,311	2,615	(5)
Total	24.6 years	\$ 62,826	\$ 19,523	\$ (545)	\$ 73,585	\$ 16,910	\$ (1,328)

Indefinite-lived intangible assets not subject to amortization:

Wireless licenses	\$ 111,494	\$ 85,728
Trade names	5,241	5,241
Total	\$ 116,735	\$ 90,969

Amortized intangible assets are definite-life assets, and, as such, we record amortization expense based on a method that most appropriately reflects our expected cash flows from these assets. Amortization expense for definite-life intangible assets in 2021 reflected the separation of our U.S. video and Vrio businesses and was \$4,288 for the year ended December 31, 2021, \$8,239 for the year ended December 31, 2020 and \$7,932 for the year ended December 31, 2019.

Estimated amortization expense for the next five years is as follows:

Year	AT&T Inc.	Attributable to WarnerMedia ¹
2022	\$ 3,907	\$ 3,747
2023	3,895	3,741
2024	3,524	3,377
2025	3,394	3,258
2026	3,309	3,174

¹ The pending WarnerMedia/Discovery transaction is expected to close in the second quarter of 2022, subject to approval by Discovery shareholders and customary closing conditions. (See Note 6)

NOTE 10. EQUITY METHOD INVESTMENTS

Investments in partnerships, joint ventures and less than majority-owned subsidiaries in which we have significant influence are accounted for under the equity method.

On July 31, 2021, we closed our transaction with TPG to form a new company named DIRECTV (see Note 6). The transaction resulted in our deconsolidation of the Video Business, with DIRECTV being accounted for under the equity method beginning August 1, 2021.

In May 2020, we acquired the remaining interest in HBO LAG and fully consolidated that entity. In October 2020, we sold our ownership interest in CME. (See Note 6)

In 2019, we sold our investments in Hudson Yards and Hulu. (See Note 6)

Our investments in equity affiliates at December 31, 2021 primarily included our interests in DIRECTV, SKY Mexico and The CW Network.

DIRECTV We account for our investment in DIRECTV under the equity method of accounting. DIRECTV is considered a variable interest entity for accounting purposes. As DIRECTV is jointly governed by a board with representation from both AT&T and TPG, with TPG having tie-breaking authority on certain key decisions, most significantly the appointment and removal of the CEO, we have concluded that we are not the primary beneficiary of DIRECTV.

The ownership interests in DIRECTV, based on seniority are as follows:

- Preferred units with distribution rights of \$1,800 held by TPG, which were fully distributed by December 31, 2021.
- Junior preferred units with distribution rights of \$4,250 held by AT&T, of which \$3,212 of distribution rights remain as of December 31, 2021.
- Distribution preference associated with Common units of \$4,200 held by AT&T.
- Common units, with 70% held by AT&T and 30% held by TPG.

The initial fair value of the equity considerations on July 31, 2021 was \$6,852, which was determined using a discounted cash flow model reflecting distribution rights and preference of the individual instruments. During 2021, we recognized \$619 of equity in net income of affiliates and received total distributions of \$1,942 from DIRECTV. The book value of our investment in DIRECTV at December 31, 2021 was \$5,539.

Our share of net income or loss may differ from the stated ownership percentage interest of DIRECTV as the terms of the arrangement prescribe substantive non-proportionate cash distributions, both from operations and in liquidation, that are based on classes of interests held by investors. In the event that DIRECTV records a loss, that loss will be allocated to ownership interests based on their seniority, beginning with the most subordinated interests.

SKY Mexico We hold a 41.3% interest in SKY Mexico, which is a leading pay-TV provider in Mexico.

The CW Network (The CW) We hold a 50.0% interest in The CW, which is an advertising supported broadcasting and licensing joint venture between Warner Bros. and CBS Corporation.

The following table is a reconciliation of our investments in equity affiliates as presented on our consolidated balance sheets:

	2021	2020
Beginning of year	\$ 1,780	\$ 3,695
Additional investments	265	178
Receipt of equity interest in DIRECTV	6,852	—
Distributions from DIRECTV in excess of cumulative equity in earnings	(1,323)	—
Other capital distributions	(26)	(22)
Dividends and distributions of cumulative earnings received	(815)	(133)
Equity in net income of affiliates	631	95
Acquisition of remaining interest in HBO LAG	—	(1,141)
Disposition of CME	—	(749)
Impairments	—	(146)
Disposition of various investments	(68)	—
Currency translation adjustments	(16)	(10)
Other adjustments	(6)	13
End of year	\$ 7,274	\$ 1,780

NOTE 11. INVENTORIES AND THEATRICAL FILM AND TELEVISION PRODUCTION COSTS

Film and television production costs are stated at the lower of cost, less accumulated amortization, or fair value and include the unamortized cost of completed theatrical films and television episodes, theatrical films and television series in production and undeveloped film and television rights. The amount of capitalized film and television production costs recognized as broadcast, programming and operations expenses for a given period is determined using the film forecast computation method.

In the fourth quarter of 2020, we recognized an impairment of \$524 based on a change in these estimates for various film titles. This change in estimates was driven by the continued shutdown of theaters during the pandemic, including the resurgence of an outbreak in the fourth quarter and the impact of our decision to release our 2021 movies in theaters and on HBO Max at the same time.

The following table summarizes inventories and theatrical film and television production costs as of December 31:

	2021	2020
Inventories:		
Programming costs, less amortization ¹	\$ 7,101	\$ 6,010
Other inventory, primarily DVD and Blu-ray Discs	134	103
Total inventories	7,235	6,113
Less: current portion of inventory	(134)	(103)
Total noncurrent inventories	7,101	6,010
Theatrical film production costs: ²		
Released, less amortization	525	487
Completed and not released	343	616
In production	1,687	1,130
Development and pre-production	143	190
Television production costs: ²		
Released, less amortization	3,335	2,495
Completed and not released	1,350	1,381
In production	4,376	2,353
Development and pre-production	123	90
Total theatrical film and television production costs	11,882	8,742
Total noncurrent inventories and theatrical film and television production costs	\$ 18,983	\$ 14,752

¹ Includes the costs of certain programming rights, primarily sports, for which payments have been made prior to the related rights being received.

² Does not include \$3,961 and \$4,699 of acquired film and television library intangible assets as of December 31, 2021 and 2020, respectively, which are included in "Other Intangible Assets – Net" on our consolidated balance sheets.

Approximately 89% of unamortized film costs for released theatrical and television content are expected to be amortized within three years from December 31, 2021. In addition, approximately \$3,464 of the film costs of released and completed and not released theatrical and television product are expected to be amortized during 2022.

NOTE 12. DEBT

Long-term debt of AT&T and its subsidiaries, including interest rates and maturities, is summarized as follows at December 31:

					2021		2020
Notes and debentures							
	Interest Rates		Maturities ¹				
	0.69%	-	2.99%	2021	-	2039	
	3.00%	-	4.99%	2021	-	2061	
	5.00%	-	6.99%	2021	-	2095	
	7.00%	-	9.15%	2021	-	2097	
					\$	31,841	\$ 25,549
						108,003	110,317
						23,360	24,259
						5,645	5,006
Credit agreement borrowings						10,400	300
Fair value of interest rate swaps recorded in debt						16	20
						179,265	165,451
Unamortized (discount) premium – net						(9,610)	(9,710)
Unamortized issuance costs						(508)	(532)
Total notes and debentures						169,147	155,209
Finance lease obligations						1,621	2,036
Total long-term debt, including current maturities						170,768	157,245
Current maturities of long-term debt						(7,944)	(3,470)
Current maturities of credit agreement borrowings						(10,100)	—
Total long-term debt						\$ 152,724	\$ 153,775

¹ Maturities assume puttable debt is redeemed by the holders at the next opportunity.

We had outstanding Euro, British pound sterling, Canadian dollar, Mexican peso, Australian dollar, and Swiss franc denominated debt of approximately \$41,249 and \$43,399 at December 31, 2021 and 2020, respectively.

The weighted-average interest rate of our long-term debt portfolio, including, credit agreement borrowings and the impact of derivatives, was approximately 3.8% as of December 31, 2021 and 4.1% as of December 31, 2020.

Debt maturing within one year consisted of the following at December 31:

		2021		2020
Current maturities of long-term debt	\$	7,944	\$	3,470
Commercial paper		6,586		—
Credit agreement borrowings		10,100		—
Total	\$	24,630	\$	3,470

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Financing Activities

During 2021, we received net proceeds of \$8,931 on the issuance of \$8,949 in long-term debt and proceeds of \$10,100 on the issuance of credit agreement borrowings in various markets, with an average weighted maturity of approximately 2.3 years and a weighted average interest rate of 1.4%. We repaid \$2,904 in borrowings of various notes with a weighted average coupon of 3.5%. Our debt activity during 2021 primarily consisted of the following:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year 2021
Net commercial paper borrowings ¹	\$ 7,072	\$ (513)	\$ (2)	\$ 4	\$ 6,561
Issuance of Notes and Debentures ² :					
U.S. dollar denominated global notes <i>Initial average rate of 1.27%</i>	\$ 6,000	\$ —	\$ —	\$ —	\$ 6,000
Euro denominated global notes (converted to USD at issuance) <i>Rate of 0.00%</i>	1,461	—	—	—	1,461
2021 Syndicated Term Loan	7,350	—	—	—	7,350
BAML Bilateral Term Loan	2,000	—	—	—	2,000
Private financing	750	—	—	—	750
Other	636	—	835	—	1,471
Debt Issuances	\$ 18,197	\$ —	\$ 835	\$ —	\$ 19,032
Repayments:					
Private financing	\$ (649)	\$ —	\$ —	\$ —	\$ (649)
2.650% Euro denominated global notes due 2021	—	—	—	(1,349)	(1,349)
Other	(253)	(253)	(498)	(140)	(1,144)
Repayments of long-term debt	\$ (902)	\$ (253)	\$ (498)	\$ (1,489)	\$ (3,142)

¹ Includes \$1,316 net issuance of commercial paper with original maturities of three months or less, \$12,755 of commercial paper issued greater than 90 days and \$7,510 of commercial paper repaid greater than 90 days.

² Includes credit agreement borrowing.

Tender Offers and Debt Exchanges

In August 2020, we repurchased \$11,384 of AT&T global notes and subsidiary notes due 2021 to 2025 through cash tender offers.

In September 2020, we exchanged \$17,677 of AT&T and subsidiary notes, with interest rates ranging from 4.350% to 8.750% and original maturities ranging from 2031 to 2058 for \$1,459 of cash and \$21,500 of three new series of AT&T Inc. global notes, with interest rates ranging from 3.500% to 3.650% and maturities ranging from 2053 to 2059.

In December 2020, we also exchanged \$8,280 of AT&T and subsidiary notes, with interest rates ranging from 2.950% to 7.125% and original maturities ranging from 2026 to 2048 for \$8 of cash and \$9,678 of two new series of AT&T global notes, with interest rates of 2.550% and 3.800% and maturities of 2033 and 2057, respectively.

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As of December 31, 2021 and 2020, we were in compliance with all covenants and conditions of instruments governing our debt. Substantially all of our outstanding long-term debt is unsecured. Maturities of outstanding long-term notes and debentures, as of December 31, 2021, and the corresponding weighted-average interest rate scheduled for repayment are as follows:

	2022	2023	2024	2025	2026	Thereafter
Debt repayments ¹	\$ 18,185	\$ 7,739	\$ 11,562	\$ 6,484	\$ 10,557	\$ 126,922
Weighted-average interest rate ²	1.9 %	3.4 %	2.9 %	3.9 %	3.3 %	4.2 %

¹ Debt repayments represent maturity value and assume puttable debt is redeemed at the next opportunity. Foreign debt includes the impact from hedges, when applicable. Includes credit agreement borrowings.

² Includes credit agreement borrowings.

Credit Facilities*General*

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

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 was terminated. As of December 31, 2021, \$7,350 was outstanding and is due on March 22, 2022.

In March 2021, we entered into and drew on a \$2,000 term loan credit agreement (BAML Bilateral Term Loan) consisting of (i) a \$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. At December 31, 2021, \$2,000 was outstanding under these facilities.

Revolving Credit Agreements

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 December 31, 2021.

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 December 31, 2021, we were in compliance with the covenants for our credit facilities.

The events of default are customary for agreements of this type and such events would result in the acceleration of, or would permit the lenders to accelerate, as applicable, required payments and would increase each agreement's relevant Applicable Margin by 2.00% per annum.

The obligations of the lenders under two revolving credit agreements to provide advances will terminate on December 11, 2023, and November 17, 2025, unless the commitments are terminated in whole prior to that date. All advances must be repaid no later than the date on which lenders are no longer obligated to make any advances under the applicable credit agreement.

Each of the credit agreements provides that we and lenders representing more than 50% of the facility amount may agree to extend their commitments under such Credit Agreement for two one-year periods beyond the initial termination date. We have the right to terminate, in whole or in part, amounts committed by the lenders under each of the credit agreements in excess of any outstanding advances; however, any such terminated commitments may not be reinstated.

Advances under these agreements would bear interest, at our option, either:

- at a variable annual rate equal to: (1) the highest of (but not less than zero) (a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate, (b) 0.5% per annum above the federal funds rate, and (c) the London interbank offered rate (or the successor thereto) ("LIBOR") applicable to dollars for a period of one month plus 1.00%, plus (2) an applicable margin, as set forth in the applicable Credit Agreement (the "Applicable Margin for Base Advances"); or
- at a rate equal to: (i) LIBOR (adjusted upwards to reflect any bank reserve costs) for a period of one, two, three or six months, as applicable, plus (ii) an applicable margin, as set forth in the applicable Credit Agreement (the "Applicable Margin for Eurodollar Rate Advances").

We pay a facility fee of 0.070%, 0.080%, 0.100% or 0.125% per annum of the amount of the lender commitments, depending on AT&T's credit rating.

NOTE 13. FAIR VALUE MEASUREMENTS AND DISCLOSURE

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

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

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable value or reflective of future fair values. We believe our valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used since December 31, 2020.

Long-Term Debt and Other Financial Instruments

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

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes and debentures ¹	\$ 169,147	\$ 194,891	\$ 155,209	\$ 187,224
Commercial paper	6,586	6,586	—	—
Investment securities ²	3,374	3,374	3,249	3,249

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

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Equity Securities				
Domestic equities	\$ 1,256	\$ —	\$ —	\$ 1,256
International equities	227	—	—	227
Fixed income equities	230	—	—	230
Available-for-Sale Debt Securities	—	1,384	—	1,384
Asset Derivatives				
Cross-currency swaps	—	211	—	211
Foreign exchange contracts	—	8	—	8
Liability Derivatives				
Cross-currency swaps	—	(3,170)	—	(3,170)
Foreign exchange contracts	—	(41)	—	(41)
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equity Securities				
Domestic equities	\$ 1,010	\$ —	\$ —	\$ 1,010
International equities	180	—	—	180
Fixed income equities	236	—	—	236
Available-for-Sale Debt Securities	—	1,479	—	1,479
Asset Derivatives				
Cross-currency swaps	—	1,721	—	1,721
Foreign exchange contracts	—	6	—	6
Liability Derivatives				
Cross-currency swaps	—	(1,814)	—	(1,814)
Foreign exchange contracts	—	(9)	—	(9)

Investment Securities

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

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

For the years ended December 31,	2021	2020	2019
Total gains (losses) recognized on equity securities	\$ 293	\$ 171	\$ 301
Gains (Losses) recognized on equity securities sold	(5)	(25)	100
Unrealized gains (losses) recognized on equity securities held at end of period	\$ 298	\$ 196	\$ 201

At December 31, 2021, available-for-sale debt securities totaling \$1,384 have maturities as follows - less than one year: \$41; one to three years: \$171; three to five years: \$179; five or more years: \$993.

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

Derivative Financial Instruments

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

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

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

Unrealized and realized gains or losses from fair value hedges impact the same category on the consolidated statements of income as the item being hedged, including the earnings impact of excluded components. In instances where we have elected to exclude components from the assessment of hedge effectiveness related to fair value hedges, unrealized gains or losses on such excluded components are recorded as a component of accumulated OCI and recognized into earnings through the swap accrual over the life of the hedging instrument. Unrealized gains on derivatives designated as fair value hedges are recorded at fair value as assets, and unrealized losses are recorded at fair 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 years ended December 31, 2021 and 2020, no ineffectiveness was measured on fair value hedges.

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

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

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

Periodically, we enter into and designate interest rate locks to partially hedge the risk of changes in interest payments attributable to increases in the benchmark interest rate during the period leading up to the probable issuance of fixed-rate debt. We designate our interest rate locks as cash flow hedges. Gains and losses when we settle our interest rate locks are amortized into income over the life of the related debt. Over the next 12 months, we expect to reclassify \$73 from accumulated OCI to “Interest expense” due to the amortization of net losses on historical interest rate locks.

Net Investment Hedging We have designated €1,450 million aggregate principal amount of debt as a hedge of the variability of some of the Euro-denominated net investments of our subsidiaries. The gain or loss on the debt that is designated as, and is effective as, an economic hedge of the net investment in a foreign operation is recorded as a currency translation adjustment within accumulated OCI, net on the consolidated balance sheets. Net gains on net investment hedges recognized in accumulated OCI for 2021 were \$122.

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 December 31, 2021, we had posted collateral of \$135 (a deposit asset) and held collateral of \$7 (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 December, we would have been required to post additional collateral of \$36. If AT&T's credit rating had been downgraded three ratings levels by Fitch Ratings, two levels by S&P, and two levels by Moody's, we would have been required to post additional collateral of \$2,816. At December 31, 2020, we had posted collateral of \$53 (a deposit asset) and held collateral of \$694 (a receipt liability). We do not offset the fair value of collateral, whether the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) exists, against the fair value of the derivative instruments.

Following are the notional amounts of our outstanding derivative positions at December 31:

	2021	2020
Cross-currency swaps	\$ 40,737	\$ 40,745
Foreign exchange contracts	30	90
Total	\$ 40,767	\$ 40,835

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

Effect of Derivatives on the Consolidated Statements of Income

Fair Value Hedging Relationships

For the years ended December 31,	2021	2020	2019
Interest rate swaps (Interest expense):			
Gain (Loss) on interest rate swaps	\$ (4)	\$ (6)	\$ 58
Gain (Loss) on long-term debt	4	6	(58)
Cross-currency swaps:			
Gain (Loss) on cross-currency swaps	(91)	—	—
Gain (Loss) on long-term debt	91	—	—
Gain (Loss) recognized in accumulated OCI	(17)	—	—

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

Cash Flow Hedging Relationships

For the years ended December 31,	2021	2020	2019
Cross-currency swaps:			
Gain (Loss) recognized in accumulated OCI	\$ (873)	\$ (378)	\$ (1,066)
Foreign exchange contracts:			
Gain (Loss) recognized in accumulated OCI	(17)	3	10
Other income (expense) – net reclassified from accumulated OCI into income	1	(3)	6
Interest rate locks:			
Gain (Loss) recognized in accumulated OCI	—	(648)	(84)
Interest income (expense) reclassified from accumulated OCI into income	(92)	(84)	(63)

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, impairment indicators may subject goodwill, long-lived assets and film costs to nonrecurring fair value measurements. The implied fair values of the U.S. video and Vrio businesses were estimated using both the discounted cash flow as well as market multiple approaches. The fair values of long-lived assets in the U.S. video business were determined using a present value approach of probability-weighted expected cash flows. The fair values of film productions were estimated using a discounted cash flow approach. The inputs to all of these approaches are considered Level 3.

Our nonrecurring fair value measurements also include the valuation of our initial investment in DIRECTV at July 31, 2021 (see Note 10). This nonrecurring fair value measurement was estimated using a discounted cash flow approach. The inputs to these models are considered Level 3.

During 2020, goodwill amounts related to the Video and Vrio reporting units were fully impaired. At December 31, 2020, nonrecurring fair value measurements in our Video business unit totaled \$9,744 and were comprised of \$5,873 for orbital slots, \$1,613 for customer lists and \$2,258 for property, plant and equipment (see Notes 7 and 9). Nonrecurring fair value measurements for film costs within our WarnerMedia segment totaled \$844 (see Note 11).

NOTE 14. INCOME TAXES

Significant components of our deferred tax liabilities (assets) are as follows at December 31:

	2021	2020
Depreciation and amortization	\$ 47,433	\$ 46,952
Licenses and nonamortizable intangibles	15,576	13,930
Employee benefits	(3,338)	(5,279)
Deferred fulfillment costs	1,797	2,691
Equity in partnership	3,285	—
Net operating loss and other carryforwards	(6,703)	(7,355)
Other – net	2,308	4,562
Subtotal	60,358	55,501
Deferred tax assets valuation allowance	4,638	4,773
Net deferred tax liabilities	\$ 64,996	\$ 60,274
Noncurrent deferred tax liabilities	\$ 65,226	\$ 60,472
Less: Noncurrent deferred tax assets	(230)	(198)
Net deferred tax liabilities	\$ 64,996	\$ 60,274

At December 31, 2021, we had combined net operating and capital loss carryforwards (tax effected) for federal income tax purposes of \$452, state of \$1,012 and foreign of \$2,709, expiring through 2041. Additionally, we had federal credit carryforwards of \$604 and state credit carryforwards of \$1,926, expiring primarily through 2041.

We recognize a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion, or all, of a deferred tax asset will not be realized. Our valuation allowances at December 31, 2021 and 2020 related primarily to state and foreign net operating losses and state credit carryforwards.

We consider post-1986 unremitted foreign earnings subjected to the one-time transition tax not to be indefinitely reinvested as such earnings can be repatriated without any significant incremental tax costs. We consider other types of unremitted foreign earnings to be indefinitely reinvested. U.S. income and foreign withholding taxes have not been recorded on temporary differences related to investments in certain foreign subsidiaries as such differences are considered indefinitely reinvested. Determination of the amount of unrecognized deferred tax liability is not practicable.

We recognize the financial statement effects of a tax return position when it is more likely than not, based on the technical merits, that the position will ultimately be sustained. For tax positions that meet this recognition threshold, we apply our judgment, taking into account applicable tax laws, our experience in managing tax audits and relevant GAAP, to determine the amount of tax benefits to recognize in our financial statements. For each position, the difference between the benefit realized on our tax return and the benefit reflected in our financial statements is recorded on our consolidated balance sheets as an unrecognized tax benefit (UTB). We update our UTBs at each financial statement date to reflect the impacts of audit settlements and other resolutions of audit issues, the expiration of statutes of limitation, developments in tax law and ongoing discussions with taxing authorities. A reconciliation of the change in our UTB balance from January 1 to December 31 for 2021 and 2020 is as follows:

Federal, State and Foreign Tax	2021	2020
Balance at beginning of year	\$ 10,001	\$ 10,979
Increases for tax positions related to the current year	677	1,580
Increases for tax positions related to prior years	443	112
Decreases for tax positions related to prior years	(1,344)	(994)
Lapse of statute of limitations	(29)	(24)
Settlements	(342)	(1,646)
Current year dispositions	(4)	—
Foreign currency effects	—	(6)
Balance at end of year	9,402	10,001
Accrued interest and penalties	2,221	2,450
Gross unrecognized income tax benefits	11,623	12,451
Less: Deferred federal and state income tax benefits	(799)	(878)
Less: Tax attributable to timing items included above	(3,515)	(3,588)
Total UTB that, if recognized, would impact the effective income tax rate as of the end of the year	\$ 7,309	\$ 7,985

Periodically we make deposits to taxing jurisdictions which reduce our UTB balance but are not included in the reconciliation above. The amount of deposits that reduced our UTB balance was \$377 at December 31, 2021 and \$702 at December 31, 2020.

Accrued interest and penalties included in UTBs were \$2,221 as of December 31, 2021 and \$2,450 as of December 31, 2020. We record interest and penalties related to federal, state and foreign UTBs in income tax expense. The net interest and penalty expense (benefit) included in income tax expense was \$(155) for 2021, \$149 for 2020 and \$267 for 2019.

We file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. As a large taxpayer, our income tax returns are regularly audited by the Internal Revenue Service (IRS) and other taxing authorities.

The IRS has completed field examinations of our tax returns through 2012. All audit periods prior to 2005 are closed for federal examination purposes and we have effectively resolved all outstanding audit issues for years through 2010 with the IRS Appeals Division. Those years will be closed as the final paperwork is processed in the coming months.

While we do not expect material changes, we are generally unable to estimate the range of impacts on the balance of the remaining uncertain tax positions or the impact on the effective tax rate from the resolution of these issues until each year is closed; and it is possible that the amount of unrecognized benefit with respect to our uncertain tax positions could increase or decrease within the next 12 months.

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The components of income tax (benefit) expense are as follows:

	2021	2020	2019
Federal:			
Current	\$ (1,198)	\$ (687)	\$ 584
Deferred	5,296	1,039	1,656
	4,098	352	2,240
State and local:			
Current	646	(6)	603
Deferred	456	263	144
	1,102	257	747
Foreign:			
Current	516	413	605
Deferred	(248)	(57)	(99)
	268	356	506
Total	\$ 5,468	\$ 965	\$ 3,493

“Income (Loss) Before Income Taxes” in the Consolidated Statements of Income included the following components for the years ended December 31:

	2021	2020	2019
U.S. income (loss) before income taxes	\$ 30,223	\$ (452)	\$ 18,301
Foreign income (loss) before income taxes	(3,276)	(2,404)	167
Total	\$ 26,947	\$ (2,856)	\$ 18,468

A reconciliation of income tax expense (benefit) and the amount computed by applying the statutory federal income tax rate of 21% to income from continuing operations before income taxes is as follows:

	2021	2020	2019
Taxes computed at federal statutory rate	\$ 5,659	\$ (600)	\$ 3,878
Increases (decreases) in income taxes resulting from:			
State and local income taxes – net of federal income tax benefit	967	193	611
CARES Act federal NOL carryback	(471)	—	—
Tax on foreign investments	(68)	(141)	(115)
Noncontrolling interest	(294)	(285)	(230)
Permanent items and R&D credit	(163)	(239)	(285)
Audit resolutions	(298)	(112)	(156)
Divestitures	(112)	107	—
Goodwill impairment ¹	250	2,120	—
Other – net	(2)	(78)	(210)
Total	\$ 5,468	\$ 965	\$ 3,493
Effective Tax Rate	20.3 %	(33.8)%	18.9 %

¹ Goodwill impairments are not deductible for tax purposes.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted, which allows for a Net Operating Loss (NOL) generated in 2020 to be carried back to a year with a federal rate of 35%. During 2021, we recorded a \$471 tax benefit for the rate impact of the 2020 NOL carryback adjusted for the domestic manufacturing deduction limitation in the carryback year and applicable unrecognized tax benefits.

AT&T is subject to the Global Intangible Low Taxed Income (GILTI) provisions created under the Tax Cuts and Jobs Act of 2017. We report the tax impact of GILTI as a period cost when incurred.

NOTE 15. PENSION AND POSTRETIREMENT BENEFITS

We offer noncontributory pension programs covering the majority of domestic nonmanagement employees in our Communications business. Nonmanagement employees' pension benefits are generally calculated using one of two formulas: a flat dollar amount applied to years of service according to job classification or a cash balance plan with negotiated annual pension band credits as well as interest credits. Most employees can elect to receive their pension benefits in either a lump sum payment or an annuity.

Pension programs covering U.S. management employees are closed to new entrants. These programs continue to provide benefits to participants that were generally hired before January 1, 2015, who receive benefits under either cash balance pension programs that include annual or monthly credits based on salary as well as interest credits, or a traditional pension formula (i.e., a stated percentage of employees' adjusted career income).

We also provide a variety of medical, dental and life insurance benefits to certain retired employees under various plans and accrue actuarially determined postretirement benefit costs as active employees earn these benefits.

WarnerMedia and certain of its subsidiaries have both funded and unfunded defined benefit pension plans, the substantial majority of which are noncontributory plans covering domestic employees. WarnerMedia also sponsors unfunded domestic postretirement benefit plans covering certain retirees and their dependents. At acquisition, the plans were already closed to new entrants and frozen for new accruals.

During the fourth quarter of 2020, we committed to, and reflected in our results, plan changes impacting retiree life and death coverage and health and medical subsidy benefits. Changes were also communicated that impact future pension accruals for certain management employees. These plan changes align our benefit plans to, or above market level.

Obligations and Funded Status

For defined benefit pension plans, the benefit obligation is the projected benefit obligation, the actuarial present value, as of our December 31 measurement date, of all benefits attributed by the pension benefit formula to employee service rendered to that date. The amount of benefit to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life of employees and their beneficiaries and average years of service rendered. It is measured based on assumptions concerning future interest rates and future employee compensation levels as applicable.

For postretirement benefit plans, the benefit obligation is the accumulated postretirement benefit obligation, the actuarial present value as of the measurement date of all future benefits attributed under the terms of the postretirement benefit plans to employee service.

The following table presents the change in the projected benefit obligation for the years ended December 31:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Benefit obligation at beginning of year	\$ 62,158	\$ 59,873	\$ 13,928	\$ 16,041
Service cost - benefits earned during the period	957	1,029	45	53
Interest cost on projected benefit obligation	1,276	1,687	210	416
Amendments	—	(340)	—	(2,655)
Actuarial (gain) loss	(1,237)	5,054	(275)	1,423
Benefits paid, including settlements	(5,942)	(5,124)	(1,356)	(1,370)
Curtailment	—	(1)	—	—
Plan transfers	—	(20)	—	20
Benefit obligation at end of year	\$ 57,212	\$ 62,158	\$ 12,552	\$ 13,928

The following table presents the change in the fair value of plan assets for the years ended December 31 and the plans' funded status at December 31:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Fair value of plan assets at beginning of year	\$ 54,606	\$ 53,530	\$ 3,843	\$ 4,145
Actual return on plan assets	5,737	6,199	210	302
Benefits paid, including settlements ¹	(5,942)	(5,124)	(1,163)	(1,029)
Contributions	—	2	308	425
Plan transfers	—	(1)	—	—
Fair value of plan assets at end of year	54,401	54,606	3,198	3,843
Unfunded status at end of year ²	\$ (2,811)	\$ (7,552)	\$ (9,354)	\$ (10,085)

¹ At our discretion, certain postretirement benefits may be paid from our cash accounts, which does not reduce Voluntary Employee Benefit Association (VEBA) assets. Future benefit payments may be made from VEBA trusts and thus reduce those asset balances.

² Funded status is not indicative of our ability to pay ongoing pension benefits or of our obligation to fund retirement trusts. Required pension funding is determined in accordance with the Employee Retirement Income Security Act of 1974, as amended (ERISA) and applicable regulations.

Amounts recognized on our consolidated balance sheets at December 31 are listed below:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Current portion of employee benefit obligation ¹	\$ —	\$ —	\$ (1,106)	\$ (1,213)
Employee benefit obligation ²	(2,811)	(7,552)	(8,248)	(8,872)
Net amount recognized	\$ (2,811)	\$ (7,552)	\$ (9,354)	\$ (10,085)

¹ Included in "Accounts payable and accrued liabilities."

² Included in "Postemployment benefit obligation," combined with international pension obligations and other postemployment obligations of \$364 and \$1,226 at December 31, 2021, and \$553 and \$1,299 at December 31, 2020, respectively.

The accumulated benefit obligation for our pension plans represents the actuarial present value of benefits based on employee service and compensation as of a certain date and does not include an assumption about future compensation levels. The accumulated benefit obligation for our pension plans was \$56,159 at December 31, 2021, and \$60,848 at December 31, 2020.

Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income*Periodic Benefit Costs*

The service cost component of net periodic pension cost (credit) is recorded in operating expenses in the consolidated statements of income while the remaining components are recorded in "Other income (expense) – net." Our combined net pension and postretirement cost (credit) recognized in our consolidated statements of income was \$(7,652), \$711 and \$2,762 for the years ended December 31, 2021, 2020 and 2019.

The following table presents the components of net periodic benefit cost (credit):

	Pension Benefits			Postretirement Benefits		
	2021	2020	2019	2021	2020	2019
Service cost – benefits earned during the period	\$ 957	\$ 1,029	\$ 1,019	\$ 45	\$ 53	\$ 71
Interest cost on projected benefit obligation	1,276	1,687	1,960	210	416	675
Expected return on assets	(3,513)	(3,557)	(3,561)	(151)	(178)	(227)
Amortization of prior service credit	(144)	(113)	(113)	(2,537)	(2,329)	(1,820)
Net periodic benefit cost (credit) before remeasurement	(1,424)	(954)	(695)	(2,433)	(2,038)	(1,301)
Actuarial (gain) loss	(3,461)	2,404	3,088	(334)	1,299	1,670
Net pension and postretirement cost (credit)	\$ (4,885)	\$ 1,450	\$ 2,393	\$ (2,767)	\$ (739)	\$ 369

Other Changes in Benefit Obligations Recognized in Other Comprehensive Income

The following table presents the after-tax changes in benefit obligations recognized in OCI and the after-tax prior service credits that were amortized from OCI into net periodic benefit costs:

	Pension Benefits			Postretirement Benefits		
	2021	2020	2019	2021	2020	2019
Balance at beginning of year	\$ 525	\$ 361	\$ 447	\$ 8,416	\$ 8,171	\$ 6,086
Prior service (cost) credit	—	250	—	—	2,001	3,457
Amortization of prior service credit	(109)	(86)	(86)	(1,912)	(1,756)	(1,372)
Total recognized in other comprehensive (income) loss	(109)	164	(86)	(1,912)	245	2,085
Balance at end of year	\$ 416	\$ 525	\$ 361	\$ 6,504	\$ 8,416	\$ 8,171

Assumptions

In determining the projected benefit obligation and the net pension and postretirement benefit cost, we used the following significant weighted-average assumptions:

	Pension Benefits			Postretirement Benefits		
	2021	2020	2019	2021	2020	2019
Weighted-average discount rate for determining benefit obligation at December 31	3.00 %	2.70 %	3.40 %	2.80 %	2.40 %	3.20 %
Discount rate in effect for determining service cost ¹	3.30 %	3.60 %	4.10 %	2.90 %	3.50 %	4.40 %
Discount rate in effect for determining interest cost ¹	2.30 %	2.90 %	3.50 %	1.60 %	2.70 %	3.70 %
Weighted-average interest credit rate for cash balance pension programs ²	3.20 %	3.10 %	3.30 %	— %	— %	— %
Long-term rate of return on plan assets	6.75 %	7.00 %	7.00 %	4.50 %	4.75 %	5.75 %
Composite rate of compensation increase for determining benefit obligation	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %
Composite rate of compensation increase for determining net cost (benefit)	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %

¹ Weighted-average discount rates shown for years with interim remeasurements: 2021 and 2019 for pension benefits and 2019 for postretirement benefits.

² Weighted-average interest crediting rates for cash balance pension programs relate only to the cash balance portion of total pension benefits. A 0.50% increase in the weighted-average interest crediting rate would increase the pension benefit obligation by \$125.

We recognize gains and losses on pension and postretirement plan assets and obligations immediately in “Other income (expense) – net” in our consolidated statements of income. These gains and losses are generally measured annually as of December 31 and accordingly, will normally be recorded during the fourth quarter, unless an earlier remeasurement is required. Should actual experience differ from actuarial assumptions, the projected pension benefit obligation and net pension cost and accumulated postretirement benefit obligation and postretirement benefit cost would be affected in future years.

Discount Rate Our assumed weighted-average discount rate for pension and postretirement benefits of 3.00% and 2.80% respectively, at December 31, 2021, reflects the hypothetical rate at which the projected benefit obligation could be effectively settled or paid out to participants. We determined our discount rate based on a range of factors, including a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date and corresponding to the related expected durations of future cash outflows. These bonds had an average rating of at least Aa3 or AA- by the nationally recognized statistical rating organizations, denominated in U.S. dollars, and neither callable, convertible nor index linked. For the year ended December 31, 2021, when compared to the year ended December 31, 2020, we increased our pension discount rate by 0.30%, resulting in a decrease in our pension plan benefit obligation of \$1,645 and increased our postretirement discount rate by 0.40%, resulting in a decrease in our postretirement benefit obligation of \$341. For the year ended December 31, 2020, we decreased our pension discount rate by 0.70%, resulting in an increase in our pension plan benefit obligation of \$5,594 and decreased our postretirement discount rates by 0.80%, resulting in an increase in our postretirement benefit obligation of \$1,311.

We utilize a full yield curve approach in the estimation of the service and interest components of net periodic benefit costs for pension and other postretirement benefits. Under this approach, we apply discounting using individual spot rates from a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date. These spot rates align to each of the projected benefit obligations and service cost cash flows. The service cost component relates to the active participants in the plan, so the relevant cash flows on which to apply the yield curve are considerably longer in duration on average than the total projected benefit obligation cash flows, which also include benefit payments to retirees. Interest cost is computed by multiplying each spot rate by the corresponding discounted projected benefit obligation cash flows. The full yield curve approach reduces any actuarial gains and losses based upon interest rate expectations (e.g., built-in gains in interest cost in an upward sloping yield curve scenario), or gains and losses merely resulting from the timing and magnitude of cash outflows associated with our benefit obligations. Neither the annual measurement of our total benefit obligations nor annual net benefit cost is affected by the full yield curve approach.

Expected Long-Term Rate of Return In 2022, our expected long-term rate of return is 6.75% on pension plan assets and 4.50% on postretirement plan assets. Our long-term rates of return reflect the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the projected benefit obligations. In setting the long-term assumed rate of return, management considers capital markets' future expectations, the asset mix of the plans' investment and average historical asset return. Actual long-term returns can, in relatively stable markets, also serve as a factor in determining future expectations. We consider many factors that include, but are not limited to, historical returns on plan assets, current market information on long-term returns (e.g., long-term bond rates) and current and target asset allocations between asset categories. The target asset allocation is determined based on consultations with external investment advisers. If all other factors were to remain unchanged, we expect that a 0.50% decrease in the expected long-term rate of return would cause 2022 combined pension and postretirement cost to increase \$272. However, any differences in the rate and actual returns will be included with the actuarial gain or loss recorded in the fourth quarter when our plans are remeasured.

Composite Rate of Compensation Increase Our expected composite rate of compensation increase cost of 3.00% in 2021 and 2020 reflects the long-term average rate of salary increases.

Healthcare Cost Trend Our healthcare cost trend assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends. Based on our assessment of expectations of healthcare industry inflation, our 2022 assumed annual healthcare prescription drug cost trend and medical cost trend for eligible participants will increase from an annual and ultimate trend rate of 4.00% to an annual and ultimate trend rate of 4.25%. This change in assumption increased our obligation by \$31. For 2021, our assumed annual healthcare prescription drug cost trend and medical cost trend for eligible participants remained at 4.00% annual and ultimate rate.

Plan Assets

Plan assets consist primarily of private and public equity, government and corporate bonds, and real assets (real estate and natural resources). The asset allocations of the pension plans are maintained to meet ERISA requirements. Any plan contributions, as determined by ERISA regulations, are made to a pension trust for the benefit of plan participants. We do not have significant ERISA required contributions to our pension plans for 2022.

We maintain VEBA trusts to partially fund postretirement benefits; however, there are no ERISA or regulatory requirements that these postretirement benefit plans be funded annually. We made discretionary contributions of \$308 in December 2021 and \$425 in December 2020 to our postretirement plan.

The principal investment objectives are to ensure the availability of funds to pay pension and postretirement benefits as they become due under a broad range of future economic scenarios, maximize long-term investment return with an acceptable level of risk based on our pension and postretirement obligations, and diversify broadly across and within the capital markets to insulate asset values against adverse experience in any one market. Each asset class has broadly diversified characteristics. Substantial biases toward any particular investing style or type of security are sought to be avoided by managing the aggregation of all accounts with portfolio benchmarks. Asset and benefit obligation forecasting studies are conducted periodically, generally every two to three years, or when significant changes have occurred in market conditions, benefits, participant demographics or funded status. Decisions regarding investment policy are made with an understanding of the effect of asset allocation on funded status, future contributions and projected expenses.

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The plans' weighted-average asset targets and actual allocations as a percentage of plan assets, including the notional exposure of future contracts by asset categories at December 31 are as follows:

	Pension Assets			Postretirement (VEBA) Assets		
	Target	2021	2020	Target	2021	2020
Equity securities:						
Domestic	12 % -	22 %	16 %	14 % -	24 %	19 %
International	8 % -	18 %	13	14 % -	24 %	19
Fixed income securities	35 % -	45 %	38	34 % -	44 %	39
Real assets	7 % -	17 %	10	— % -	6 %	1
Private equity	3 % -	13 %	12	— % -	6 %	1
Preferred interests	5 % -	15 %	10	— % -	— %	—
Other	— % -	5 %	1 %	17 % -	27 %	21
Total		100 %	100 %		100 %	100 %

The pension trust holds preferred equity interests valued at \$5,562 in AT&T Mobility II LLC (Mobility II), the primary holding company for our wireless business (see Note 17). During 2020, the trust sold a portion of these preferred interests valued at \$2,885 to third party investors. The preferred equity interests were valued at \$5,771 as of December 31, 2020.

At December 31, 2021, AT&T securities represented 11% of assets held by our pension trust, including the preferred interests in Mobility II. The VEBA trusts included in these financial statements no longer hold AT&T securities.

Investment Valuation

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date.

Investments in securities traded on a national securities exchange are valued at the last reported sales price on the final business day of the year. If no sale was reported on that date, they are valued at the last reported bid price. Investments in securities not traded on a national securities exchange are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Shares of registered investment companies are valued based on quoted market prices, which represent the net asset value of shares held at year-end.

Other commingled investment entities are valued at quoted redemption values that represent the net asset values of units held at year-end which management has determined approximates fair value.

Real estate and natural resource direct investments are valued at amounts based upon appraisal reports. Fixed income securities valuation is based upon observable prices for comparable assets, broker/dealer quotes (spreads or prices), or a pricing matrix that derives spreads for each bond based on external market data, including the current credit rating for the bonds, credit spreads to Treasuries for each credit rating, sector add-ons or credits, issue-specific add-ons or credits as well as call or other options.

The preferred interests in Mobility II are valued by an independent fiduciary using an income approach.

Purchases and sales of securities are recorded as of the trade date. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Non-interest bearing cash and overdrafts are valued at cost, which approximates fair value.

Fair Value Measurements

See Note 13 for a discussion of the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The following tables set forth by level, within the fair value hierarchy, the pension and postretirement assets and liabilities at fair value as of December 31, 2021:

Pension Assets and Liabilities at Fair Value as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Non-interest bearing cash	\$ 167	\$ —	\$ —	\$ 167
Interest bearing cash	11	—	—	11
Foreign currency contracts	—	5	—	5
Equity securities:				
Domestic equities	7,693	—	1	7,694
International equities	4,117	—	7	4,124
Preferred interests	—	—	5,562	5,562
Fixed income securities:				
Corporate bonds and other investments	—	11,168	2	11,170
Government and municipal bonds	—	6,977	—	6,977
Mortgage-backed securities	—	268	—	268
Real estate and real assets	—	—	3,318	3,318
Securities lending collateral	1,645	1,285	—	2,930
Receivable for variation margin	8	—	—	8
Assets at fair value	13,641	19,703	8,890	42,234
Investments sold short and other liabilities at fair value	(529)	(3)	(1)	(533)
Total plan net assets at fair value	\$ 13,112	\$ 19,700	\$ 8,889	\$ 41,701
Assets held at net asset value practical expedient				
Private equity funds				6,454
Real estate funds				2,329
Commingled funds				6,780
Total assets held at net asset value practical expedient				15,563
Other assets (liabilities) ¹				(2,863)
Total Plan Net Assets				\$ 54,401

¹ Other assets (liabilities) include amounts receivable, accounts payable and net adjustment for securities lending payable.

Postretirement Assets and Liabilities at Fair Value as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 371	\$ 295	\$ —	\$ 666
Equity securities:				
Domestic equities	323	—	—	323
International equities	287	—	1	288
Fixed income securities:				
Corporate bonds and other investments	1	—	—	1
Securities lending collateral	—	9	—	9
Assets at fair value	982	304	1	1,287
Securities lending payable and other liabilities	—	(9)	—	(9)
Total plan net assets at fair value	\$ 982	\$ 295	\$ 1	\$ 1,278
Assets held at net asset value practical expedient				
Commingled funds				1,883
Private equity				19
Real estate funds				16
Total assets held at net asset value practical expedient				1,918
Other assets (liabilities) ¹				2
Total Plan Net Assets				\$ 3,198

¹ Other assets (liabilities) include amounts receivable and accounts payable.

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The tables below set forth a summary of changes in the fair value of the Level 3 pension and postretirement assets for the year ended December 31, 2021:

Pension Assets	Equities	Fixed Income Funds	Real Estate and Real Assets	Total
Balance at beginning of year	\$ 5,793	\$ 53	\$ 2,544	\$ 8,390
Realized gains (losses)	2	—	(31)	(29)
Unrealized gains (losses)	(203)	—	558	355
Transfers in	—	1	—	1
Transfers out	(7)	(8)	—	(15)
Purchases	7	1	425	433
Sales	(23)	(45)	(178)	(246)
Balance at end of year	\$ 5,569	\$ 2	\$ 3,318	\$ 8,889

Postretirement Assets	Equities	Fixed Income Funds	Real Estate and Real Assets	Total
Balance at beginning of year	\$ —	\$ 4	\$ —	\$ 4
Realized gains (losses)	—	(1)	—	(1)
Unrealized gains (losses)	—	1	—	1
Transfers in	1	—	—	1
Sales	—	(4)	—	(4)
Balance at end of year	\$ 1	\$ —	\$ —	\$ 1

The following tables set forth by level, within the fair value hierarchy, the pension and postretirement assets and liabilities at fair value as of December 31, 2020:

Pension Assets and Liabilities at Fair Value as of December 31, 2020					
	Level 1	Level 2	Level 3	Total	
Non-interest bearing cash	\$ 173	\$ —	\$ —	\$ 173	
Interest bearing cash	7	—	—	7	
Foreign currency contracts	—	3	—	3	
Equity securities:					
Domestic equities	9,784	—	11	9,795	
International equities	4,821	11	12	4,844	
Preferred interests	—	—	5,771	5,771	
Fixed income securities:					
Corporate bonds and other investments	—	11,043	52	11,095	
Government and municipal bonds	—	6,039	—	6,039	
Mortgage-backed securities	—	442	1	443	
Real estate and real assets	—	—	2,544	2,544	
Securities lending collateral	621	1,435	—	2,056	
Receivable for variation margin	23	—	—	23	
Assets at fair value	15,429	18,973	8,391	42,793	
Investments sold short and other liabilities at fair value	(450)	(8)	(1)	(459)	
Total plan net assets at fair value	\$ 14,979	\$ 18,965	\$ 8,390	\$ 42,334	
Assets held at net asset value practical expedient					
Private equity funds				5,154	
Real estate funds				1,694	
Commingled funds				7,706	
Total assets held at net asset value practical expedient				14,554	
Other assets (liabilities) ¹				(2,282)	
Total Plan Net Assets				\$ 54,606	

¹ Other assets (liabilities) include amounts receivable, accounts payable and net adjustment for securities lending payable.

Postretirement Assets and Liabilities at Fair Value as of December 31, 2020

	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 497	\$ 302	\$ —	\$ 799
Equity securities:				
Domestic equities	363	—	—	363
International equities	282	—	—	282
Fixed income securities:				
Corporate bonds and other investments	5	307	3	315
Government and municipal bonds	6	132	1	139
Mortgage-backed securities	—	94	—	94
Securities lending collateral	—	28	—	28
Assets at fair value	1,153	863	4	2,020
Securities lending payable and other liabilities	(1)	(29)	—	(30)
Total plan net assets at fair value	\$ 1,152	\$ 834	\$ 4	\$ 1,990
Assets held at net asset value practical expedient				
Private equity funds				24
Real estate funds				22
Commingled funds				1,843
Total assets held at net asset value practical expedient				1,889
Other assets (liabilities) ¹				(36)
Total Plan Net Assets				\$ 3,843

¹ Other assets (liabilities) include amounts receivable and accounts payable.

The tables below set forth a summary of changes in the fair value of the Level 3 pension and postretirement assets for the year ended December 31, 2020:

Pension Assets	Equities	Fixed Income Funds	Real Estate and Real Assets	Total
Balance at beginning of year	\$ 8,816	\$ 6	\$ 2,817	\$ 11,639
Realized gains (losses)	(150)	—	255	105
Unrealized gains (losses)	3	—	(178)	(175)
Transfers in	4	51	36	91
Transfers out	—	(3)	—	(3)
Purchases	9,114	1	223	9,338
Sales	(11,994)	(2)	(609)	(12,605)
Balance at end of year	\$ 5,793	\$ 53	\$ 2,544	\$ 8,390

Postretirement Assets	Equities	Fixed Income Funds	Real Estate and Real Assets	Total
Balance at beginning of year	\$ —	\$ 32	\$ —	\$ 32
Transfers in	—	3	—	3
Transfers out	—	(11)	—	(11)
Sales	—	(20)	—	(20)
Balance at end of year	\$ —	\$ 4	\$ —	\$ 4

Estimated Future Benefit Payments

Expected benefit payments are estimated using the same assumptions used in determining our benefit obligation at December 31, 2021. Because benefit payments will depend on future employment and compensation levels; average years employed; average life spans; and payment elections, among other factors, changes in any of these assumptions could significantly affect these expected amounts. The following table provides expected benefit payments under our pension and postretirement plans:

	Pension Benefits	Postretirement Benefits
2022	\$ 5,922	\$ 1,262
2023	4,237	1,181
2024	4,121	888
2025	4,113	842
2026	3,934	794
Years 2027 - 2031	18,292	3,544

Supplemental Retirement Plans

We also provide certain senior- and middle-management employees with nonqualified, unfunded supplemental retirement and savings plans. While these plans are unfunded, we have assets in a designated non-bankruptcy remote trust that are independently managed and used to provide for certain of these benefits. These plans include supplemental pension benefits as well as compensation-deferral plans, some of which include a corresponding match by us based on a percentage of the compensation deferral. For our supplemental retirement plans, the projected benefit obligation was \$2,326 and the net supplemental retirement pension credit was \$41 at and for the year ended December 31, 2021. The projected benefit obligation was \$2,687 and the net supplemental retirement pension cost was \$330 at and for the year ended December 31, 2020.

We use the same significant assumptions for the composite rate of compensation increase in determining our projected benefit obligation and the net pension and postemployment benefit cost. Our discount rates of 2.70% at December 31, 2021 and 2.30% at December 31, 2020 were calculated using the same methodologies used in calculating the discount rate for our qualified pension and postretirement benefit plans.

Deferred compensation expense was \$171 in 2021, \$183 in 2020 and \$199 in 2019.

Contributory Savings Plans

We maintain contributory savings plans that cover substantially all employees. Under the savings plans, we match in cash or company stock a stated percentage of eligible employee contributions, subject to a specified ceiling. There are no debt-financed shares held by the Employee Stock Ownership Plans, allocated or unallocated.

Our match of employee contributions to the savings plans is fulfilled with purchases of our stock on the open market or company cash. Benefit cost, which is based on the cost of shares or units allocated to participating employees' accounts or the cash contributed to participant accounts, was \$760, \$814 and \$793 for the years ended December 31, 2021, 2020 and 2019.

NOTE 16. SHARE-BASED PAYMENTS

Under our various plans, senior and other management employees and nonemployee directors have received nonvested stock and stock units. In conjunction with the 2018 acquisition of Time Warner, restricted stock units issued under Time Warner plans were converted to AT&T share units that will be distributed in the form of AT&T common stock and cash. The shares will vest over a period of one to four years in accordance with the terms of those plans. In addition, outstanding Time Warner stock options were converted to AT&T stock options that vested within one year. We do not intend to issue any additional grants under the Time Warner Inc. plans. Future grants to eligible employees will be issued under AT&T plans.

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We grant performance stock units, which are nonvested stock units, based upon our stock price at the date of grant and award them in the form of AT&T common stock and cash at the end of a three-year period, subject to the achievement of certain performance goals. We treat the cash settled portion of these awards as a liability. We grant forfeitable restricted stock and stock units, which are valued at the market price of our common stock at the date of grant and predominantly vest over a three- to five-year period. We also grant other nonvested stock units and award them in cash at the end of a three-year period, subject to the achievement of certain market-based conditions. As of December 31, 2021, we were authorized to issue up to approximately 139 million shares of common stock (in addition to shares that may be issued upon exercise of outstanding options or upon vesting of performance stock units or other nonvested stock units) to officers, employees and directors pursuant to these various plans.

We account for our share-based payment arrangements based on the fair value of the awards on their respective grant date, which may affect our ability to fully realize the value shown on our consolidated balance sheets of deferred tax assets associated with compensation expense. We record a valuation allowance when our future taxable income is not expected to be sufficient to recover the asset. Accordingly, there can be no assurance that the current stock price of our common shares will rise to levels sufficient to realize the entire tax benefit currently reflected on our consolidated balance sheets. However, to the extent we generate excess tax benefits (i.e., those additional tax benefits in excess of the deferred taxes associated with compensation expense previously recognized) the potential future impact on income would be reduced.

Our consolidated statements of income include the compensation cost recognized for those plans as operating expenses, as well as the associated tax benefits, which are reflected in the table below:

	2021	2020	2019
Performance stock units	\$ 245	\$ 348	\$ 544
Restricted stock and stock units	385	290	273
Other nonvested stock units	7	—	7
Stock options	—	—	(5)
Total	\$ 637	\$ 638	\$ 819
Income tax benefit	\$ 157	\$ 157	\$ 202

A summary of the status of our nonvested stock units as of December 31, 2021, and changes during the year then ended is presented as follows (shares in millions):

Nonvested Stock Units	Shares	Weighted-Average Grant- Date Fair Value
Nonvested at January 1, 2021	43	\$ 34.50
Granted	36	28.79
Vested	(26)	31.56
Forfeited	(4)	31.52
Nonvested at December 31, 2021	49	\$ 32.06

As of December 31, 2021, there was \$916 of total unrecognized compensation cost related to nonvested share-based payment arrangements granted. That cost is expected to be recognized over a weighted-average period of 1.95 years. The total fair value of shares vested during the year was \$811 for 2021, compared to \$647 for 2020 and \$798 for 2019.

It is our intent to satisfy share option exercises using our treasury stock. Cash received from stock option exercises was \$60 for 2021, \$65 for 2020 and \$446 for 2019.

NOTE 17. STOCKHOLDERS' EQUITY

Authorized Shares We have authorized 14 billion common shares of AT&T stock and 10 million preferred shares of AT&T stock, each with a par value of \$1.00 per share. Cumulative perpetual preferred shares consist of the following:

- Series A: 48 thousand shares outstanding at December 31, 2021 and December 31, 2020, with a \$25,000 per share liquidation preference and a dividend rate of 5.000%.
- Series B: 20 thousand shares outstanding at December 31, 2021 and December 31, 2020, with a €100,000 per share liquidation preference, and an initial rate of 2.875%, subject to reset after May 1, 2025.
- Series C: 70 thousand shares outstanding at December 31, 2021 and December 31, 2020, with a \$25,000 per share liquidation preference, and a dividend rate of 4.75%.

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

Stock Repurchase Program From time to time, we repurchase shares of common stock for distribution through our employee benefit plans or in connection with certain acquisitions. Our Board of Directors has approved the following authorization to repurchase common stock: (1) March 2013 authorization program of 300 million shares, which was completed in 2020 and (2) March 2014 authorization program for 300 million shares, with approximately 178 million outstanding at December 31, 2021.

To implement these authorizations, we used open market repurchases, relying on Rule 10b5-1 of the Securities Exchange Act of 1934, where feasible. We also used accelerated share repurchase agreements with large financial institutions to repurchase our stock. During 2020, we repurchased approximately 142 million shares totaling \$5,278 under the March 2013 and March 2014 authorizations. During 2021, there were no shares repurchased under the March 2014 authorization.

Dividend Declarations In December 2021 and December 2020, AT&T declared a quarterly preferred dividend of \$36 and a quarterly common dividend of \$0.52 per share of common stock.

Preferred Interests Issued by Subsidiaries We have issued cumulative perpetual preferred membership interests in certain subsidiaries. The preferred interests are entitled to cash distributions, subject to declaration. The preferred interests are included in "Noncontrolling interest" on the consolidated balance sheets.

Mobility II

We previously issued 320 million Series A Cumulative Perpetual Preferred Membership Interests in Mobility II (Mobility preferred interests), representing all currently outstanding Mobility preferred equity interests, which pay cash distributions of \$560 per annum, subject to declaration. So long as the distributions are declared and paid, the terms of the Mobility preferred equity interests will not impose any limitations on cash movements between affiliates, or our ability to declare a dividend on or repurchase AT&T shares.

A holder of the Mobility preferred interests may put the interests to Mobility II. Mobility II may redeem the interests upon a change in control of Mobility II or on or after September 9, 2022. When either option arises due to a passage of time, that option may be exercised only during certain periods.

The price at which a put option or a redemption option can be exercised is the greater of (1) the market value of the interests as of the last date of the quarter preceding the date of the exercise of a put or redemption option and (2) the sum of (a) twenty-five dollars (\$8,000 in the aggregate) plus (b) any accrued and unpaid distributions. The redemption price may be paid with cash, AT&T common stock, or a combination of cash and AT&T common stock, at Mobility II's sole election. In no event shall Mobility II be required to deliver more than 250 million shares of AT&T common stock to settle put and redemption options. We have the intent and ability to settle the Mobility preferred equity interests with cash.

Tower Holdings

In 2019, we issued \$6,000 nonconvertible cumulative preferred interests in a wireless subsidiary (Tower Holdings) that holds interests in various tower assets and have the right to receive approximately \$6,000 if the purchase options from the tower companies are exercised.

The membership interests in Tower Holdings consist of (1) common interests, which are held by a consolidated subsidiary of AT&T, and (2) two series of preferred interests (collectively the “Tower preferred interests”). The September series (Class A-1) of the preferred interests totals \$1,500 and pays an initial preferred distribution of 5.0%, and the December series (Class A-2) totals \$4,500 and pays an initial preferred distribution of 4.75%. Distributions are paid quarterly, subject to declaration, and reset every five years. Any failure to declare or pay distributions on the Tower preferred interests would not impose any limitation on cash movements between affiliates, or our ability to declare a dividend on or repurchase AT&T shares. We can call the Tower preferred interests at the issue price beginning five years from the issuance date or upon the receipt of proceeds from the sale of the underlying assets.

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

Telco LLC

In September 2020, we issued \$2,000 nonconvertible cumulative preferred interests out of a newly created limited liability company (Telco LLC) that was formed to hold telecommunication-related assets.

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

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

PR Holdings

In 2019, we issued \$1,950 nonconvertible cumulative preferred interests in a subsidiary (PR Holdings) that held notes secured by the proceeds from our agreement to sell wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands. These preferred interests were redeemed on November 6, 2020. (See Note 6)

The membership interests in PR Holdings consisted of (1) common interests, which were held by consolidated subsidiaries of AT&T, and (2) preferred interests (PR preferred interests). The PR preferred interests paid an initial preferred distribution at an annual rate of 4.75%. Distributions were paid quarterly, subject to declaration.

NOTE 18. SALES OF RECEIVABLES

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

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

Our equipment installment and revolving receivables programs are discussed in detail below. The following table sets forth a summary of the receivables and accounts being serviced at December 31:

	2021		2020	
	Equipment Installment	Revolving	Equipment Installment	Revolving
Gross receivables:	\$ 4,361	\$ 3,527	\$ 5,565	\$ 3,909
<i>Balance sheet classification</i>				
Accounts receivable				
Notes receivable	1,846	—	2,716	—
Trade receivables	606	3,337	554	3,715
Other Assets				
Noncurrent notes and trade receivables	1,909	190	2,295	194
Outstanding portfolio of receivables derecognized from our consolidated balance sheets	9,767	6,280	7,827	5,300
Cash proceeds received, net of remittances ¹	6,644	6,280	5,646	5,300

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

Equipment Installment Receivables Program

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

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

The following table sets forth a summary of equipment installment receivables sold under this program:

	2021	2020	2019
Gross receivables sold	\$ 10,793	\$ 7,270	\$ 9,921
Net receivables sold ¹	10,502	7,026	9,483
Cash proceeds received	9,740	6,089	8,189
Deferred purchase price recorded	1,080	1,021	1,451
Guarantee obligation recorded	434	157	341

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 13).

AT&T Inc.

Dollars in millions except per share amounts

The following table presents the previously transferred equipment installment receivables, which we repurchased in exchange for the associated deferred purchase price:

	2021	2020	2019
Fair value of repurchased receivables	\$ 1,424	\$ 1,271	\$ 1,418
Carrying value of deferred purchase price	1,334	1,235	1,350
Gain on repurchases ¹	\$ 90	\$ 36	\$ 68

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

At December 31, 2021 and December 31, 2020, our deferred purchase price receivable was \$3,177 and \$1,991, respectively, of which \$2,123 and \$1,476 are included in "Prepaid and other current assets" on our consolidated balance sheets, with the remainder in "Other Assets." The guarantee obligation at December 31, 2021 and December 31, 2020 was \$371 and \$228, respectively, of which \$101 and \$161 are included in "Accounts payable and accrued liabilities" on our consolidated balance sheets, with the remainder in "Other noncurrent liabilities." Our maximum exposure to loss as a result of selling these equipment installment receivables is limited to the total amount of our deferred purchase price and guarantee obligation.

Revolving Receivables Program

We have a revolving agreement to transfer up to \$6,680 of certain receivables (primarily from WarnerMedia) through our bankruptcy-remote subsidiaries to various financial institutions on a recurring basis in exchange for cash equal to the gross receivables transferred. This agreement is subject to renewal on an annual basis and the transfer limit may be expanded or reduced from time to time. As customers pay their balances, we transfer additional receivables into the program, resulting in our gross receivables sold exceeding net cash flow impacts (e.g., collect and reinvest). The transferred receivables are fully guaranteed by our bankruptcy-remote subsidiaries, which hold additional receivables in the amount of \$3,527 that are pledged as collateral under this agreement. The transfers are recorded at fair value of the proceeds received and obligations assumed less derecognized receivables. The obligation is subsequently adjusted for changes in estimated expected credit losses and interest rates. Our maximum exposure to loss related to these receivables transferred is limited to the amount outstanding.

The fair value measurement used for the obligation is considered Level 3 under the Fair Value Measurement and Disclosure framework (see Note 13).

The following table sets forth a summary of receivables sold:

	2021	2020	2019
Gross receivables sold/cash proceeds received ¹	\$ 20,060	\$ 15,888	\$ 11,989
Total collections under revolving agreement ²	18,910	14,888	7,689
Receivables repurchased	170	—	—
Net cash proceeds received	\$ 980	\$ 1,000	\$ 4,300
Net receivables sold ³	\$ 19,775	\$ 15,760	\$ 11,604
Obligations recorded	18	271	530

¹ Includes initial sale of receivables of \$1,380, \$1,000 and \$4,300 for 2021, 2020 and 2019, respectively.

² Includes collections of \$400, \$0 and \$0 for 2021, 2020 and 2019, respectively, that were not reinvested under the revolving agreement.

³ Receivables net of allowance, return and incentive reserves and imputed interest.

NOTE 19. TOWER TRANSACTION

In December 2013, we closed our transaction with Crown Castle International Corp. (Crown Castle) in which Crown Castle gained the exclusive rights to lease and operate 9,048 wireless towers and purchased 627 of our wireless towers for \$4,827 in cash. The leases have various terms with an average length of approximately 28 years. As the leases expire, Crown Castle will have fixed price purchase options for these towers totaling approximately \$4,200, based on their estimated fair market values at the end of the lease terms. We sublease space on the towers from Crown Castle for an initial term of ten years at current market rates, subject to optional renewals in the future.

We determined that we did not transfer control of the tower assets, which prevented us from achieving sale-leaseback accounting for the transaction, and we accounted for the cash proceeds from Crown Castle as a financing obligation on our consolidated balance sheets. We record interest on the financing obligation using the effective interest method at a rate of approximately 3.9%. The financing obligation is increased by interest expense and estimated future net cash flows generated and retained by Crown Castle from operation of the tower sites, and reduced by our contractual payments. We continue to include the tower assets in "Property, Plant and Equipment – Net" on our consolidated balance sheets and depreciate them accordingly. At December 31, 2021 and 2020, the tower assets had a balance of \$725 and \$764, respectively. Our depreciation expense for these assets was \$39 for each of 2021, 2020 and 2019.

Payments made to Crown Castle under this arrangement were \$253 for 2021. At December 31, 2021, the future minimum payments under the sublease arrangement are \$258 for 2022, \$264 for 2023, \$269 for 2024, \$274 for 2025, \$280 for 2026 and \$707 thereafter.

NOTE 20. TRANSACTIONS WITH DIRECTV

On July 31, 2021, we closed our transaction with TPG to form a new company named DIRECTV (see Note 6). The transaction resulted in our deconsolidation of the Video business. 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 (see Note 10).

For the five months ended December 31, 2021, our share of DIRECTV's earnings included in equity in net income of affiliates was \$619. Cash distributions from DIRECTV totaled \$1,942, with \$619 classified as operating activities and \$1,323 classified as investing activities in our consolidated statement of cash flows.

In addition to the assets and liabilities contributed to DIRECTV, we recorded total obligations of approximately \$2,100 to cover certain net losses under the NFL SUNDAY TICKET contract, of which \$1,800 is in the form of a note payable to DIRECTV (see Note 6). Cash payments to DIRECTV on the note totaled \$459 and were classified as financing activities in our consolidated statement of cash flows. Amounts due under the DIRECTV note were \$1,341 at December 31, 2021.

Through our WarnerMedia properties, we license content and programming and provide advertising services to DIRECTV. Revenue recognized from DIRECTV, which was previously eliminated, totaled approximately \$670 for the five months ended December 31, 2021. We also provide DIRECTV with network transport for U-verse products and sales services under commercial arrangements for up to five years.

Pursuant to a commercial agreement, WarnerMedia continues to sell DIRECTV's advertising inventory under a revenue sharing agreement. WarnerMedia records amounts billed as advertising revenue and recognizes expense for DIRECTV's revenue share, which was approximately \$600 for the five months ended December 31, 2021. Under separate transition services agreements, we provide DIRECTV certain operational support, including servicing of certain of their customer receivables for up to three years. For the five months ended December 31, 2021, we billed DIRECTV approximately \$550 for these costs, which were primarily recorded as a reduction to the operations and support expenses incurred and resulted in net retained costs to AT&T of approximately \$200.

At December 31, 2021, we had accounts receivable from DIRECTV of \$436 and accounts payable to DIRECTV of \$329.

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 21. FIRSTNET

In 2017, the First Responder Network Authority (FirstNet) selected AT&T to build and manage the first nationwide broadband network dedicated to America's first responders. Under the 25-year agreement, FirstNet provides 20 MHz of valuable telecommunications spectrum and success-based payments of \$6,500 over the first five years to support network buildout. We are required to construct a network that achieves coverage and nationwide interoperability requirements and have a contractual commitment to make sustainability payments of \$18,000 over the 25-year contract. These sustainability payments represent our commitment to fund FirstNet's operating expenses and future reinvestments in the network which we own and operate, which we estimate in the \$3,000 or less range over the life of the 25-year contract. After FirstNet's operating expenses are paid, we anticipate the remaining amount, expected to be in the \$15,000 range, will be reinvested into the network.

During 2021, we submitted \$120 in sustainability payments, with future payments under the agreement of \$195 for 2022, 2023, 2024 and 2025; \$1,590 for 2026; and \$15,030 thereafter. Amounts paid to FirstNet, which are not expected to be returned to AT&T to be reinvested into our network, will be expensed in the period paid. In the event FirstNet does not reinvest any funds to construct, operate, improve and maintain this network, our maximum exposure to loss is the total amount of the sustainability payments, which would be reflected in higher expense.

The \$6,500 of initial funding from FirstNet is contingent on the achievement of six operating capability milestones and certain first responder subscriber adoption targets. These milestones are based on coverage objectives of the first responder network during the construction period, which is expected to be over five years, and subscriber adoption targets. Funding payments received from FirstNet are reflected as a reduction from the costs capitalized in the construction of the network and, as appropriate, a reduction of associated operating expenses. As of December 31, 2021, we have collected approximately \$5,860 for the completion of certain tasks and anticipate collecting the remainder of the \$6,500 as we achieve milestones set out by FirstNet in 2022. We also received approximately \$170 in 2021 from FirstNet for reinvestment above the original success-based payments.

NOTE 22. CONTINGENT LIABILITIES

We are party to numerous lawsuits, regulatory proceedings and other matters arising in the ordinary course of business. In evaluating these matters on an ongoing basis, we take into account amounts already accrued on the balance sheet. In our opinion, although the outcomes of these proceedings are uncertain, they should not have a material adverse effect on our financial position, results of operations or cash flows.

We have contractual obligations to purchase certain goods or services from various other parties. Our purchase obligations are expected to be approximately \$28,860 in 2022, \$24,585 in total for 2023 and 2024, \$11,636 in total for 2025 and 2026 and \$12,540 in total for years thereafter.

See Note 13 for a discussion of collateral and credit-risk contingencies.

NOTE 23. ADDITIONAL FINANCIAL INFORMATION

Consolidated Balance Sheets	December 31,	
	2021	2020
Accounts payable and accrued liabilities:		
Accounts payable	\$ 30,756	\$ 31,836
Accrued payroll and commissions	3,449	2,988
Current portion of employee benefit obligation	1,278	1,415
Accrued participations and residuals	2,966	2,708
Accrued interest	2,463	2,454
Accrued taxes	1,402	1,019
Other	8,347	7,631
Total accounts payable and accrued liabilities	\$ 50,661	\$ 50,051

Consolidated Statements of Income	2021	2020	2019
Advertising expense	\$ 6,316	\$ 5,253	\$ 6,121
Interest expense incurred	\$ 7,838	\$ 8,048	\$ 8,622
Capitalized interest – capital expenditures	(173)	(123)	(200)
Capitalized interest – spectrum ¹	(781)	—	—
Total interest expense	\$ 6,884	\$ 7,925	\$ 8,422

¹ Included in “Acquisitions, net of cash acquired” on our consolidated statement of cash flows.

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 on our consolidated balance sheets:

Cash and Cash Equivalents and Restricted Cash	December 31,			
	2021	2020	2019	2018
Cash and cash equivalents	\$ 21,169	\$ 9,740	\$ 12,130	\$ 5,204
Restricted cash in Other current assets	3	9	69	61
Restricted cash in Other Assets	144	121	96	135
Cash and cash equivalents and restricted cash	\$ 21,316	\$ 9,870	\$ 12,295	\$ 5,400

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

Consolidated Statements of Cash Flows	2021	2020	2019
Cash paid (received) during the year for:			
Interest	\$ 7,673	\$ 8,237	\$ 8,693
Income taxes, net of refunds	700	993	1,421
Spectrum acquisitions¹	24,672	1,613	1,576

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

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. We recorded \$5,282 of vendor financing commitments related to capital investments in 2021, \$4,664 in 2020 and \$2,632 in 2019.

Total vendor financing payables included in our December 31, 2021 consolidated balance sheet were approximately \$5,000, with \$3,950 due within one year (in “Accounts payable and accrued liabilities”) and the remainder predominantly due within five years (in “Other noncurrent liabilities”).

Labor Contracts As of January 31, 2022, we employed approximately 203,000 persons. Approximately 37% of our employees are represented by the Communications Workers of America (CWA), the International Brotherhood of Electrical Workers (IBEW) or other unions. After expiration of the agreements, work stoppages or labor disruptions may occur in the absence of new contracts or other agreements being reached. The main contracts included the following:

- A contract covering approximately 12,000 Mobility employees in 36 states and the District of Columbia is set to expire in February 2022.
- A contract covering approximately 6,000 wireline employees in five Midwest states that was set to expire in April 2022 was extended for a four-year period until April 2026.
- A contract covering approximately 3,000 MW IBEW employees is set to expire in June 2022.
- A contract covering approximately 2,000 AT&T Corp. employees nationwide that was set to expire in April 2022 was extended for a four-year period until April 2026.
- A contract covering approximately 170 Teamsters Alascom employees in Alaska is set to expire in February 2022.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During our two most recent fiscal years, there has been no change in the independent accountant engaged as the principal accountant to audit our financial statements, and the independent accountant has not expressed reliance on other independent accountants in its reports during such time period.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure 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 December 31, 2021. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the registrant's disclosure controls and procedures were effective as of December 31, 2021.

There have not been any changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Internal Control Over Financial Reporting

a. Management's Annual Report on Internal Control over Financial Reporting

The management of AT&T is responsible for establishing and maintaining adequate internal control over financial reporting. AT&T's internal control system was designed to provide reasonable assurance as to the integrity and reliability of the published financial statements. AT&T management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2021. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 framework). Based on its assessment, AT&T management believes that, as of December 31, 2021, the Company's internal control over financial reporting is effective based on those criteria.

b. Attestation Report of the Independent Registered Public Accounting Firm

The independent registered public accounting firm that audited the financial statements included in the Annual Report containing the disclosure required by this Item, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

There is no information that was required to be disclosed in a report on Form 8-K during the fourth quarter of 2021 but was not reported.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding executive officers required by Item 401 of Regulation S-K is furnished in a separate disclosure at the end of Part I of this report entitled “Information about our Executive Officers.” Information regarding directors required by Item 401 of Regulation S-K is incorporated herein by reference pursuant to General Instruction G(3) from the registrant’s 2022 definitive proxy statement (Proxy Statement) under the heading “Management Proposal Item No. 1. Election of Directors.”

Information required by Item 405 of Regulation S-K is incorporated herein by reference pursuant to General Instruction G(3) from the registrant’s Proxy Statement under the heading “Delinquent Section 16(a) Reports.”

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the committee are Messrs. Di Piazza, Jr., Luczo and McCallister, and Ms. Taylor. The additional information required by Item 407(d)(5) of Regulation S-K is incorporated herein by reference pursuant to General Instruction G(3) from the registrant’s Proxy Statement under the heading “Audit Committee.”

The registrant has adopted a code of ethics entitled “Code of Ethics” that applies to the registrant’s principal executive officer, principal financial officer, principal accounting officer, or controller or persons performing similar functions. The additional information required by Item 406 of Regulation S-K is provided in this report under the heading “General” under Part I, Item 1. Business.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated herein by reference pursuant to General Instruction G(3) from the registrant’s Proxy Statement under the headings “Director Compensation,” “CEO Pay Ratio,” and the pages beginning with the heading “Compensation Discussion and Analysis” and ending with, and including, the pages under the heading “Potential Payments upon Change in Control.”

Information required by Item 407(e)(5) of Regulation S-K is included in the registrant’s Proxy Statement under the heading “Compensation Committee Report” and is incorporated herein by reference pursuant to General Instruction G(3) and shall be deemed furnished in this Annual Report on Form 10-K and will not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by Item 403 of Regulation S-K is included in the registrant's Proxy Statement under the heading "Common Stock Ownership," which is incorporated herein by reference pursuant to General Instruction G(3).

Equity Compensation Plan Information

The following table provides information as of December 31, 2021, concerning shares of AT&T common stock authorized for issuance under AT&T's existing equity compensation plans.

Equity Compensation Plan Information			
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	78,313,573 ⁽¹⁾	\$ 29.87	115,401,058 ⁽²⁾
Equity compensation plans not approved by security holders	—	—	—
Total	78,313,573 ⁽³⁾	\$ 29.87	115,401,058 ⁽²⁾

⁽¹⁾ Includes the issuance of stock in connection with the following stockholder approved plans: (a) 349 stock options under the Stock Purchase and Deferral Plan (*SPDP*), (b) 97,731 phantom stock units under the Stock Savings Plan (*SSP*), 14,455,686 phantom stock units under the SPDP, 0 restricted stock units under the 2011 Incentive Plan, 806,254 restricted stock units under the 2016 Incentive Plan and 32,316,464 restricted stock units under the 2018 Incentive Plan, (c) 0 target number of stock-settled performance shares under the 2011 Incentive Plan, 0 target number of stock-settled performance shares under the 2016 Incentive Plan, and 27,341,555 target number of stock-settled performance shares under the 2018 Incentive Plan. At payout, the target number of performance shares may be reduced to zero or increased by up to 150%. Each phantom stock unit and performance share is settleable in stock on a 1-to-1 basis. The weighted-average exercise price in the table does not include outstanding performance shares or phantom stock units.

The SSP was approved by stockholders in 1994 and then was amended by the Board of Directors in 2000 to increase the number of shares available for purchase under the plan (including shares from the Company match and reinvested dividend equivalents). Stockholder approval was not required for the amendment. To the extent applicable, the amount shown for approved plans in column (a), in addition to the above amounts, includes 3,295,534 phantom stock units (computed on a first-in-first-out basis) that were approved by the Board in 2000. Under the SSP, shares could be purchased with payroll deductions and reinvested dividend equivalents by mid-level and above managers and limited Company partial matching contributions. No new contributions may be made to the plan.

⁽²⁾ Includes 25,799,904 shares that may be issued under the SPDP, 87,034,186 shares that may be issued under the 2018 Incentive Plan, and up to 2,566,969 shares that may be purchased through reinvestment of dividends on phantom shares held in the SSP.

⁽³⁾ Does not include certain stock options issued by companies acquired by AT&T that were converted into options to acquire AT&T stock. As of December 31, 2021, there were 2,861,614 shares of AT&T common stock subject to the converted options, having a weighted-average exercise price of \$21.63. Also, does not include 355,008 outstanding phantom stock units that were issued by companies acquired by AT&T that are convertible into stock on a 1-to-1 basis, along with an estimated 111,755 shares that may be purchased with reinvested dividend equivalents paid on the outstanding phantom stock units. No further phantom stock units, other than reinvested dividends, may be issued under the assumed plans. The weighted-average exercise price in the table does not include outstanding performance shares or phantom stock units.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by Item 404 of Regulation S-K is included in the registrant's Proxy Statement under the heading "Related Person Transactions," which is incorporated herein by reference pursuant to General Instruction G(3). Information required by Item 407(a) of Regulation S-K is included in the registrant's Proxy Statement under the heading "Director Independence," which is incorporated herein by reference pursuant to General Instruction G(3).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item is included in the registrant's Proxy Statement under the heading "Principal Accountant Fees and Services," which is incorporated herein by reference pursuant to General Instruction G(3).

Part IV**ITEM 15. EXHIBITS and FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as a part of the report:

	Page
(1) Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)	55
Financial Statements covered by Report of Independent Registered Public Accounting Firm:	
Consolidated Statements of Income	59
Consolidated Statements of Comprehensive Income	60
Consolidated Balance Sheets	61
Consolidated Statements of Cash Flows	62
Consolidated Statements of Changes in Stockholders' Equity	63
Notes to Consolidated Financial Statements	65
(2) Financial Statement Schedules:	
II - Valuation and Qualifying Accounts	131

Financial statement schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

(3) Exhibits:

Exhibits identified in parentheses below, on file with the SEC, are incorporated herein by reference as exhibits hereto. Unless otherwise indicated, all exhibits so incorporated are from File No. 1-8610.

Exhibit Number	
2-a	Agreement and Plan of Merger, dated as of May 17, 2021, by and among AT&T Inc., Magallanes, Inc., and Discovery, Inc. (Exhibit 2.1 to Form 8-K filed on May 20, 2021)*
2-b	Separation and Distribution Agreement, dated as of May 17, 2021, by and among AT&T Inc., Magallanes, Inc., and Discovery, Inc. (Exhibit 2.2 to Form 8-K filed on May 20, 2021)*
3-a	Restated Certificate of Incorporation, filed with the Secretary of State of Delaware on December 13, 2013 (Exhibit 3.1 to Form 8-K filed on December 16, 2013)
3-b	Bylaws (Exhibit 3.1 to Form 8-K filed on June 26, 2020)
3-c	Certificate of Designations with respect to Series A Preferred Stock (Exhibit 3.1 to Form 8-K filed on December 12, 2019)
3-d	Certificate of Designations with respect to Series B Preferred Stock (Exhibit 3.1 to Form 8-K filed on February 18, 2020)
3-e	Certificate of Designations with respect to Series C Preferred Stock (Exhibit 3.2 to Form 8-K filed on February 18, 2020)

- 4-a No instrument which defines the rights of holders of long-term debt of the registrant and all of its consolidated subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A), except for the instruments referred to in 4-b, 4-c, 4-d, 4-e, 4-f below. Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument not filed herewith to the SEC upon request.
- 4-b Guaranty of certain obligations of Pacific Bell Telephone Co. and Southwestern Bell Telephone Co. ([Exhibit 4-c to Form 10-K for the period ending December 31, 2011](#))
- 4-c Guaranty of certain obligations of Ameritech Capital Funding Corp., Indiana Bell Telephone Co. Inc., Michigan Bell Telephone Co., Pacific Bell Telephone Co., Southwestern Bell Telephone Company, Illinois Bell Telephone Company, The Ohio Bell Telephone Company, The Southern New England Telephone Company, Southern New England Telecommunications Corporation, and Wisconsin Bell, Inc. ([Exhibit 4-d to Form 10-K for the period ending December 31, 2011](#))
- 4-d Guarantee of certain obligations of AT&T Corp. ([Exhibit 4-e to Form 10-K for the period ending December 31, 2011](#))
- 4-e Indenture, dated as of May 15, 2013, between AT&T Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee ([Exhibit 4.1 to Form 8-K filed on May 15, 2013](#))
- 4-f Indenture dated as of November 1, 1994 between SBC Communications Inc. and The Bank of New York, as Trustee ([Exhibit 4-h to Form 10-K for the period ending December 31, 2013](#))
- 4-g Deposit Agreement, dated December 12, 2019, among the AT&T Inc., Computershare Inc. and Computershare Trust Company, N.A., collectively, as depository, and the holders from time to time of the depository receipts described therein ([Exhibit 4.3 to Form 8-K filed December 12, 2019](#))
- 4-h Deposit Agreement, dated February 18, 2020, among the Company, Computershare Inc. and Computershare Trust Company, N.A., collectively, as depository, and the holders from time to time of the depository receipts described therein ([Exhibit 4.3 to Form 8-K filed February 18, 2020](#))
- 4-i [Description of AT&T's Securities Registered Under Section 12 of the Exchange Act](#)
- 10-a 2018 Incentive Plan ([Exhibit 10-a to Form 10-K for the period ending December 31, 2017](#))**
- 10-b 2016 Incentive Plan ([Exhibit 10-a to Form 10-Q for the period ending March 31, 2016](#))**
- 10-b(i) Resolution Regarding John Stankey ([Exhibit 10-b to Form 10-Q for the period ending September 30, 2017](#))**
- 10-b(ii) Resolution Regarding John Stephens ([Exhibit 10-c to Form 10-Q for the period ending September 30, 2017](#))**
- 10-c 2011 Incentive Plan ([Exhibit 10-a to Form 10-Q for the period ending September 30, 2015](#))**
- 10-d Short Term Incentive Plan ([Exhibit 10.1 to Form 8-K filed on February 2, 2018](#))**
- 10-e Supplemental Life Insurance Plan ([Exhibit 10.1 to Form 8-K filed on June 26, 2020](#))**
- 10-f Supplemental Retirement Income Plan ([Exhibit 10-e to Form 10-K for the period ending December 31, 2013](#))**
- 10-g [2005 Supplemental Employee Retirement Plan](#)**
- 10-h Salary and Incentive Award Deferral Plan ([Exhibit 10-k to Form 10-K for the period ending December 31, 2011](#))**
- 10-i Stock Savings Plan ([Exhibit 10-l to Form 10-K for the period ending December 31, 2011](#))**
- 10-j Stock Purchase and Deferral Plan as amended July 29, 2021 ([Exhibit 10.6 to Form 10-Q for the period ending September 30, 2021](#))**
- 10-k Cash Deferral Plan as amended July 29, 2021 ([Exhibit 10.5 to Form 10-Q for the period ending September 30, 2021](#))**
- 10-l Master Trust Agreement for AT&T Inc. Deferred Compensation Plans and Other Executive Benefit Plans and subsequent amendments dated August 1, 1995 and November 1, 1999 ([Exhibit 10-dd to Form 10-K for the period ending December 31, 2009](#))**
- 10-m Officer Disability Plan ([Exhibit 10-i to Form 10-Q for the period ending June 30, 2009](#))**
- 10-n AT&T Inc. Health Plan ([Exhibit 10.4 to Form 10-Q for the period ending September 30, 2021](#))**
- 10-o Pension Benefit Makeup Plan No.1 ([Exhibit 10-n to Form 10-K for the period ending December 31, 2016](#))**
- 10-p AT&T Inc. Equity Retention and Hedging Policy ([Exhibit 10.2 to Form 8-K filed on December 16, 2011](#))
- 10-q Administrative Plan ([Exhibit 10-q to Form 10-K for the period ending December 31, 2019](#))**
- 10-r [AT&T Inc. Non-Employee Director Stock and Deferral Plan](#)**

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- 10-s AT&T Inc. Non-Employee Director Stock Purchase Plan ([Exhibit 10-t to Form 10-K for the period ending December 31, 2013](#))**
- 10-t AT&T Inc. Board of Directors Communications Concession Program ([Exhibit 10-aa to Form 10-K for the period ending December 31, 2012](#))
- 10-u Form of Indemnity Agreement, effective July 1, 1986, between Southwestern Bell Corporation (now AT&T Inc.) and its directors and officers. ([Exhibit 10-bb to Form 10-K for the period ending December 31, 2011](#))**
- 10-v AT&T Executive Physical Program ([Exhibit 10-ff to Form 10-K for the period ending December 31, 2016](#))**
- 10-w Attorney Fee Payment Agreement for John Stankey ([Exhibit 10.1 to Form 8-K filed on July 3, 2018](#))**
- 10-x Agreement between Jason Kilar and WarnerMedia LLC ([Exhibit 10.2 to Form 10-Q for the period ending June 30, 2020](#))**
- 10-y \$7,500,000,000 Amended and Restated Credit Agreement, dated as of November 17, 2020, among AT&T Inc., certain lenders named therein and Citibank, N.A., as agent. ([Exhibit 10.1 to Form 8-K filed on November 18, 2020](#))
- 10-z Amendment No. 1 to the Amended and Restated Credit Agreement dated as of June 4, 2021 ([Exhibit 10.3 to Form 8-K filed June 10, 2021](#))
- 10-aa \$7,500,000,000 Five Year Credit Agreement, dated as of December 11, 2018, among AT&T Inc., certain lenders named therein and Citibank, N.A., as agent ([Exhibit 10.2 to Form 8-K filed on December 13, 2018](#))
- 10-bb Amendment No. 1 to the \$7,500,000,000 Five Year Credit Agreement, dated December 11, 2018, among AT&T, certain lenders named therein and Citibank, N.A., as agent. ([Exhibit 10.2 to Form 8-K filed on November 18, 2020](#))
- 10-cc Amendment No. 2 to the Five Year Credit Agreement dated as of June 4, 2021 ([Exhibit 10.4 to Form 8-K filed June 10, 2021](#))
- 10-dd Amended and Restated Contribution Agreement ([Exhibit 10-ee to Form 10-K for the period ending December 31, 2018](#))
- 10-ee Fifth Amended and Restated Limited Liability Company Agreement of Mobility II LLC ([Exhibit 10-1 to Form 10-Q for the period ending September 30, 2020](#))
- 10-ff First Amendment to the Fourth Amended and Restated Limited Liability Company Agreement of Mobility II LLC ([Exhibit 10-gg to Form 10-K for the period ending December 31, 2018](#))
- 10-gg Second Amendment to the Fourth Amended and Restated Limited Liability Company Agreement of Mobility II LLC ([Exhibit 10-hh to Form 10-K for the period ending December 31, 2018](#))
- 10-hh Amended and Restated Registration Rights Agreement by and among AT&T Inc. and The SBC Master Pension Trust and Brock Fiduciary Services LLC ([Exhibit 10-ii to Form 10-K for the period ending December 31, 2018](#))
- 10-ii First Amendment to Amended and Restated Registration Rights Agreement by and among AT&T Inc. and The SBC Master Pension Trust and Brock Fiduciary Services LLC ([Exhibit 10.2 to Form 10-Q for the period ending September 30, 2020](#))
- 10-jj Second Amended and Restated Limited Liability Company Agreement of NCWPCS MPL Holdings, LLC ([Exhibit 10.1 to Form 8-K filed on December 12, 2019](#))
- 10-kk AT&T Inc. Change in Control Severance Plan ([Exhibit 10.1 to Form 8-K filed on June 30, 2014](#))**
- 10-ll Agreement of Contribution and Subscription, dated February 25, 2021 ([Exhibit 10.1 to Form 8-K filed on February 25, 2021](#))
- 10-mm Term Loan Credit Agreement, dated as of January 29, 2021, among AT&T Inc., the Initial Lenders and Bank of America N.A. as Agent ([Exhibit 10.1 to Form 8-K filed on January 29, 2021](#))
- 10-nn Amendment No. 1 to the Term Loan Credit Agreement dated as of June 4, 2021 ([Exhibit 10.2 to Form 8-K filed June 10, 2021](#))
- 10-oo Consulting Services Agreement ([Exhibit 10.1 to Form 8-K filed on March 30, 2021](#))**
- 10-pp Voting Agreement ([Exhibit 10.1 to Form 8-K Filed on May 20, 2021](#))
- 10-qq Voting Agreement ([Exhibit 10.2 to Form 8-K Filed on May 20, 2021](#))
- 10-rr Employee Matters Agreement by and among AT&T Inc., Magallanes, Inc., and Discovery, Inc. dated as of May 17, 2021 ([Exhibit 10.3 to Form 8-K Filed on May 20, 2021](#))

10-ss	Tax Matters Agreement between among AT&T Inc., Magallanes, Inc., and Discovery, Inc. dated as of May 17, 2021 (Exhibit 10.4 to Form 8-K Filed on May 20, 2021)
10-tt	Credit Agreement dated as of June 4, 2021 among Magallanes, Inc., as Borrower, the Lenders named therein, JPMorgan Chase Bank, N.A., as Administrative Agent and Goldman Sachs Bank USA as Syndication Agent (Exhibit 10.1 to Form 8-K filed June 10, 2021)
10-uu	Amended and Restated Limited Liability Company Agreement of DIRECTV Entertainment Holdings LLC, dated as of July 31, 2021 (Exhibit 10.1 to Form 8-K filed August 2, 2021)
10-vv	Relocation Program Plan (Exhibit 10.2 to Form 10-Q for the period ending September 30, 2021)**
10-ww	Amendment Regarding Continuation of Active Employee Participant Benefits in Certain AT&T Benefit Plans in Connection with DIRECTV Transaction (Exhibit 10.3 to Form 10-Q for the period ending September 30, 2021)**
21	Subsidiaries of AT&T Inc.
23	Consent of Ernst & Young LLP
24	Powers of Attorney
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 Certification
99	Supplemental Interim Financial Information
101	The consolidated financial statements from the Company's Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 16, 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	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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

**Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

We will furnish to stockholders upon request, and without charge, a copy of the Annual Report to Stockholders and the Proxy Statement, portions of which are incorporated by reference in the Form 10-K. We will furnish any other exhibit at cost.

ITEM 16. FORM 10-K SUMMARY

None.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Allowance for Credit Losses

COL. A	COL. B	COL. C			COL. D	COL. E
		Additions				
		(1)	(2)	(3)		
	Balance at Beginning of Period	Charged to Costs and Expenses (a)	Charged to Other Accounts (b)	Acquisitions	Deductions (c)	Balance at End of Period (d)
Year 2021	\$ 1,589	\$ 1,240	\$ —	\$ —	\$ 1,693	\$ 1,136
Year 2020	\$ 1,235	\$ 1,972	\$ 405	\$ —	\$ 2,023	\$ 1,589
Year 2019	\$ 907	\$ 2,575	\$ —	\$ —	\$ 2,247	\$ 1,235

(a) Includes amounts previously written off which were credited directly to this account when recovered.

Excludes direct charges and credits to expense for nontrade receivables in the consolidated statements of income.

Includes the impact to operating expenses, for the year ended December 31, 2020, after adoption of ASC 326.

(b) Opening adjustments upon adoption of ASC 326, with modified retrospective application, as of January 1, 2020 (see Note 1).

(c) Amounts written off as uncollectible, or related to divested entities.

(d) Includes balances applicable to trade receivables, loans, contract assets and other assets subject to credit loss measurement (see Note 1).

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Allowance for Deferred Tax Assets

COL. A	COL. B	COL. C			COL. D	COL. E
		Additions				
		(1)	(2)	(3)		
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts (a)	Acquisitions	Deductions	Balance at End of Period
Year 2021	\$ 4,773	(135)	—	—	—	\$ 4,638
Year 2020	\$ 4,941	(168)	—	—	—	\$ 4,773
Year 2019	\$ 4,588	(18)	371	—	—	\$ 4,941

(a) Includes current year reclassifications from other balance sheet accounts.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 16th day of February, 2022.

AT&T INC.

/s/ Pascal Desroches

Pascal Desroches
Senior Executive Vice President
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Principal Executive Officer:

John T. Stankey*
Chief Executive Officer
and President

Principal Financial and Accounting Officer:

Pascal Desroches
Senior Executive Vice President
and Chief Financial Officer

/s/ Pascal Desroches

Pascal Desroches, as attorney-in-fact
and on his own behalf as Principal
Financial Officer and Principal
Accounting Officer

February 16, 2022

Directors:

John T. Stankey*
Samuel A. Di Piazza, Jr.*
Scott T. Ford*
Glenn H. Hutchins*
William E. Kennard*
Debra L. Lee*
Stephen J. Luczo*

Michael B. McCallister*
Beth E. Mooney*
Matthew K. Rose*
Cynthia B. Taylor*
Luis A. Ubiñas*
Geoffrey Y. Yang*

* by power of attorney

DESCRIPTION OF SECURITIES OF AT&T INC. REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT AS OF DECEMBER 31, 2021

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DESCRIPTION OF THE COMPANY'S COMMON STOCK

The following summary of AT&T Inc.'s ("AT&T") common stock is based on and qualified by the Company's Restated Certificate of Incorporation and Bylaws as of December 31, 2020. For a complete description of the terms and provisions of the Company's equity securities, including its common stock, refer to the Restated Certificate of Incorporation and the Bylaws, both of which are filed as exhibits to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020. Throughout this exhibit, references to "we," "our," "us" and "the Company" refer to AT&T.

General

Our authorized share capital consists of 14,010,000,000 shares, of which 14,000,000,000 are common shares having a par value of \$1.00 per share and 10,000,000 are shares of preferred stock, par value \$1.00 per share. As of December 31, 2019, 7,254,555,140 shares of common stock were outstanding and 48,000 shares of preferred stock were outstanding.

Our common stock is listed on the New York Stock Exchange under the symbol "T".

The transfer agent for the common stock is Computershare Trust Company, N.A., P.O. Box 505005, Louisville, Kentucky 40233.

We typically do not issue physical stock certificates. Instead, we record evidence of stock ownership solely on our corporate records. However, we will issue a physical stock certificate if a stockholder so requests.

Holders of common stock do not have any conversion, redemption, preemptive or cumulative voting rights. In the event of our dissolution, liquidation or winding-up, common stockholders share ratably in any assets remaining after all creditors are paid in full, including holders of our debt securities and after the liquidation preference of holders of preferred stock has been satisfied.

Some of the provisions of our Restated Certificate of Incorporation and our Bylaws may tend to deter any potential unfriendly tender offers or other efforts to obtain control of us. At the same time, these provisions will tend to assure continuity of management and corporate policies and to induce any persons seeking control or a business combination with us to negotiate on terms acceptable to our then-elected board of directors.

Dividends

Common stockholders are entitled to participate equally in dividends when dividends are declared by our board of directors out of funds legally available for dividends.

Voting Rights

Each holder of common stock is entitled to one vote for each share for all matters voted on by common stockholders.

Election of Directors

Holders of common stock may not cumulate their votes in the election of directors. In an election of directors, each director must be elected by the vote of the majority of the votes cast with respect to that director's election. If a nominee for director is not elected and the nominee is an incumbent director, such incumbent director must promptly tender his or her resignation to the board of directors, subject to acceptance by the board of directors. The Corporate Governance and Nominating Committee of the board of directors (the "Corporate Governance and Nominating Committee") will make a recommendation to the board of directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The board of directors will act on the tendered resignation, taking into account the Corporate Governance and Nominating Committee's recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of certification of election results. The Corporate Governance and Nominating Committee in making its recommendation and the board of directors in making its decision may each consider any factors or other information that they consider appropriate and relevant. Any incumbent director who tenders his or her resignation following such failure to be elected will not participate in the recommendation of the Corporate Governance and Nominating Committee or the decision of the board of directors with respect to his or her resignation.

If the number of persons properly nominated for election as directors as of the date that is 10 days before the record date for the meeting at which such vote is to be held exceeds the number of directors to be elected, then the directors shall be elected by a plurality of the votes cast.

For purposes of the election of directors, a majority of votes cast shall mean that the number of shares voted “for” the election of a director exceeds the number of votes cast “against” the election of such director.

Other Matters

Except with respect to the election of directors as described above, all other matters are determined by a majority of the votes cast, unless otherwise required by law or the certificate of incorporation for the action proposed.

For these purposes, a majority of votes cast shall mean that the number of shares voted “for” a matter exceeds the number of votes cast “against” such matter.

Quorum

At least 40% of the shares entitled to vote at the meeting must be present in person or by proxy, in order to constitute a quorum.

Board of Directors

Our Bylaws provide that all directors are required to stand for re-election every year. At any meeting of our board of directors, a majority of the total number of the directors constitutes a quorum.

Action without Stockholder Meeting

Our Restated Certificate of Incorporation also requires that stockholders representing at least two-thirds of the total number of shares outstanding and entitled to vote thereon must sign a written consent for any action without a meeting of the stockholders.

Advance Notice Bylaws

Our Bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of such stockholder proposals must be timely given in writing to the Secretary of AT&T prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the anniversary date of the annual meeting for the preceding year. The notice must contain certain information specified in the Bylaws.

Proxy Access

Our Bylaws permit any stockholder or group of up to twenty stockholders who have maintained continuous qualifying ownership of 3% or more of our outstanding common stock for at least the previous three years to include up to a specified number of director nominees in our proxy materials for an annual meeting of stockholders. The maximum number of stockholder nominees permitted under the proxy access provisions of our Bylaws shall be the greater of two or 20% of the total number of directors of AT&T on the last day a notice of nomination may be submitted.

Notice of a nomination pursuant to the proxy access provisions of our Bylaws must be submitted to the Secretary of AT&T at our principal executive office no earlier than 150 days and no later than 120 days before the anniversary of the date that we mailed our proxy statement for the previous year’s annual meeting of stockholders. The notice must contain certain information specified in our Bylaws.

Section 203 of the General Corporation Law of the State of Delaware

We are also subject to Section 203 of the General Corporation Law of the State of Delaware. Section 203 prohibits us from engaging in any business combination (as defined in Section 203) with an “interested stockholder” for a period of three years subsequent to the date on which the stockholder became an interested stockholder unless:

- prior to such date, our board of directors approves either the business combination or the transaction in which the stockholder became an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owns at least 85% of the outstanding voting stock (with certain exclusions); or
- the business combination is approved by our board of directors and authorized by a vote (and not by written consent) of at least 66 2/3% of the outstanding voting stock not owned by the interested stockholder.

For purposes of Section 203, an “interested stockholder” is defined as an entity or person beneficially owning 15% or more of our outstanding voting stock, based on voting power, and any entity or person affiliated with or controlling or controlled by such an entity or person.

A “business combination” includes mergers, asset sales and other transactions resulting in financial benefit to a stockholder. Section 203 could prohibit or delay mergers or other takeover or change of control attempts with respect to us and, accordingly, may discourage attempts that might result in a premium over the market price for the shares held by stockholders.

Such provisions may have the effect of deterring hostile takeovers or delaying changes in control of management or us.

**DESCRIPTION OF THE DEPOSITARY SHARES
AND 5.000% PERPETUAL PREFERRED STOCK, SERIES A**

The following summary of AT&T's above referenced securities is based on and qualified by the pertinent sections of our Restated Certificate of Incorporation, including the Certificate of Designations creating the 5.000% Perpetual Preferred Stock, Series A (the "Series A"). For a complete description of the terms and provisions of the depositary shares and the Series A, please refer to our Restated Certificate of Incorporation, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the Certificate of Designations, which is filed an exhibit to a Form 8-A filed with the Securities and Exchange Commission on December 12, 2019.

References to the "holders" of the Series A shall mean Computershare Inc. and Computershare Trust Company, N.A., (the "Depositary"). References to "holders" of depositary shares mean those who own depositary shares registered in their own names, on the books that we or the Depositary maintain for this purpose, and not indirect holders who own beneficial interests in depositary shares registered in street name or issued in book-entry form through the Depositary Trust Company ("DTC"). Holders of the depositary shares are entitled through the Depositary to exercise their proportional rights and preferences of the Series A, as described under "Description of the Depositary Shares."

DESCRIPTION OF THE 5.000% PERPETUAL PREFERRED STOCK, SERIES A

General

Under our Restated Certificate of Incorporation, we have the authority to issue up to 10,000,000 shares of preferred stock, par value \$1.00 per share. Our board of directors (or a duly authorized committee of the board) is authorized without further stockholder action to cause the issuance of shares of preferred stock, including the Series A. The Series A represents a single series of our authorized preferred stock.

We have issued 48,000 shares of the Series A, which remains the amount outstanding, subject to our ability to reopen and issue additional shares and/or increase or decrease the number of designated shares of Series A as described below. The shares of Series A are fully paid and nonassessable and are not convertible into, or exchangeable for, shares of our common stock or any other class or series of our other securities and are not subject to any sinking fund or any other obligation of us for their repurchase or retirement. The shares of Series A have a "stated amount" per share of \$25,000 and are held solely by the Depositary as described under "Description of the Depositary Shares" below.

The number of designated shares of Series A may from time to time be increased (but not in excess of the total number of shares of preferred stock authorized under our Restated Certificate of Incorporation, less shares of any other series of preferred stock designated at the time of such increase) or decreased (but not below the number of shares of Series A then outstanding) by resolution of the board (or a duly authorized committee of the board), without the vote or consent of the holders of the Series A. Shares of Series A that are redeemed, purchased or otherwise acquired by us will be cancelled and shall revert to authorized but unissued shares of preferred stock undesignated as to series. We have the authority to issue fractional shares of Series A.

Ranking

With respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding up, the Series A ranks:

- senior to our common stock and any class or series of our stock that ranks junior to the Series A in the payment of dividends or in the distribution of assets upon our liquidation, dissolution or winding up (including our common stock, "junior stock");
 - senior to or on a parity with each other series of our preferred stock we may issue (except for any senior series that may be issued upon the requisite vote or consent of the holders of at least two thirds of the shares of the Series A at the time outstanding and entitled to vote, voting together with any other series of preferred stock that would be adversely affected by such issuance substantially in the same manner and entitled to vote as a single class in proportion to their respective stated amounts) with respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding up of the Company; and
 - junior to all existing and future indebtedness and other non-equity claims on us.
-

Dividends

Holders of Series A shall be entitled to receive, when, as and if declared by our board (or a duly authorized committee of the board), but only out of funds legally available therefor, cumulative cash dividends at the annual rate of 5.000% of the stated amount per share, and no more, payable quarterly in arrears on the 1st day of each February, May, August and November, respectively, in each year, beginning on February 1, 2020 (each, a “dividend payment date”), with respect to the dividend period (or portion thereof) ending on the day preceding such respective dividend payment date, to holders of record on the 15th calendar day before such dividend payment date or such other record date not more than 60 nor less than 10 days preceding such dividend payment date fixed for that purpose by our board (or a duly authorized committee of the board) in advance of payment of each particular dividend. The amount of the dividend per share of Series A for each dividend period (or portion thereof) is calculated on the basis of a 360-day year consisting of twelve 30-day months. If any dividend payment date is not a business day, the applicable dividend will be paid on the first business day following that day without adjustment. We will not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series A.

“Dividend period” means each period commencing on (and including) a dividend payment date and continuing to (but not including) the next succeeding dividend payment date, except that the first dividend period for the initial issuance of shares of Series A shall commence on (and include) the original issue date.

A “business day” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in The City of New York are not authorized or obligated by law, regulation or executive order to close.

Restrictions on Dividends, Redemption and Repurchases

So long as any share of Series A remains outstanding, unless full accrued dividends on all outstanding shares of Series A through and including the most recently completed dividend period have been paid or declared and a sum sufficient for the payment thereof has been set aside for payment:

(i) no dividend may be declared or paid or set aside for payment on any junior stock, other than a dividend payable solely in stock that ranks junior to the Series A in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Company; and

(ii) no monies may be paid or made available for a sinking fund for the redemption or retirement of junior stock, nor shall any shares of junior stock be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly, other than:

- as a result of (x) a reclassification of junior stock, or (y) the exchange or conversion of one share of junior stock for or into another share of stock that ranks junior to the Series A in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Company; or
- through the use of the proceeds of a substantially contemporaneous sale of other shares of stock that ranks junior to the Series A in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Company; or
- purchases, redemptions or other acquisitions of shares of junior stock in connection with any employment contract, benefit plan, or other similar arrangement with or for the benefit of employees, officers, directors or consultants.

“Accrued dividends” means, with respect to shares of Series A, an amount computed at the annual dividend rate for Series A from, as to each share, the date of issuance of such share to and including the date to which such dividends are to be accrued (whether or not such dividends have been declared), less the aggregate amount of all dividends previously paid on such share.

If our board (or a duly authorized committee of the board) elects to declare only partial instead of full dividends for a dividend payment date and related dividend period on the shares of Series A or any class or series of our stock that ranks on a parity with Series A in the payment of dividends (“dividend parity stock”), then to the extent permitted by the terms of the Series A and each outstanding series of dividend parity stock such partial dividends shall be declared on shares of Series A and dividend parity stock, and dividends so declared shall be paid, as to any such dividend payment date and related dividend period in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this

paragraph, “full dividends” means, as to the Series A and any dividend parity stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring the Series A and such dividend parity stock current in dividends, including undeclared dividends for past dividend periods (that is, for Series A, full accrued dividends). To the extent a dividend period with respect to the Series A or any series of dividend parity stock (in either case, the “first series”) coincides with more than one dividend period with respect to another series as applicable (in either case, a “second series”), for purposes of the immediately preceding sentence our board (or a duly authorized committee of the board) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any dividend parity stock and dividend period(s) with respect to the Series A for purposes of the immediately preceding sentence in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such dividend parity stock and the Series A.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by our board (or a duly authorized committee of the board) may be declared and paid on any junior stock from time to time out of any funds legally available therefor, and the shares of Series A shall not be entitled to participate in any such dividend.

Optional Redemption

The Series A is perpetual and has no maturity date. We may, at our option, redeem the shares of Series A:

(i) in whole or in part, at any time on or after December 12, 2024, at a cash redemption price equal to the stated amount (*i.e.*, \$25,000 per share of Series A) (equivalent to \$25.00 per depositary share), plus (except as otherwise provided herein) an amount equal to all accrued and unpaid dividends thereon (whether or not declared), to, but not including, the date fixed for redemption; or

(ii) in whole but not in part at any time within 90 days after the conclusion of any review or appeal process instituted by us following the occurrence of a ratings event at a cash redemption price equal to \$25,500 per share of Series A (equivalent to \$25.50 per depositary share), plus (except as otherwise provided herein) an amount equal to all accrued and unpaid dividends thereon (whether or not declared), to, but not including, the date fixed for redemption.

“Ratings event” means that any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act or in any successor provision thereto, that then publishes a rating for us (a “rating agency”) amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series A, which amendment, clarification or change results in:

(i) the shortening of the length of time the Series A is assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series A; or

(ii) the lowering of the equity credit (including up to a lesser amount) assigned to the Series A by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series A.

The redemption price for any shares of Series A shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to us or our agent, if the shares of Series A are issued in certificated form. Any accrued but unpaid dividends payable on a redemption date that occurs subsequent to the applicable record date for a dividend period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the applicable dividend payment date.

In case of any redemption of only part of the shares of Series A at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series A in proportion to the number of shares of Series A held by such holders or by lot. Subject to the provisions hereof, our board (or a duly authorized committee of the board) shall have full power and authority to prescribe the terms and conditions on which shares of Series A shall be redeemed from time to time. If we shall have issued certificates for the Series A and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

Redemption Procedures

A notice of every redemption of shares of Series A shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on our books. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series A designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series A. Notwithstanding the foregoing, if the Series A or any depositary shares representing interests in the Series A are issued in book-entry form through The Depository Trust Company or any other similar facility, the Depository Trust Company or such other facility will provide notice of redemption by any authorized method to holders of record of the applicable Series A or depositary shares representing interests in the Series A not less than 30, nor more than 60, days prior to the date fixed for redemption of the Series A and related depositary shares.

Each notice of redemption given to a holder shall state:

- the redemption date;
- the number of shares of the Series A to be redeemed and, if less than all shares of the Series A held by such holder are to be redeemed, the number of shares to be redeemed from such holder;
- the redemption price;
- the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and
- that dividends will cease to accrue on the redemption date.

If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by us, separate and apart from our other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available for that purpose, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series A are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with our other funds, and after that time the holders of the shares so called for redemption shall look only to us for payment of the redemption price of such shares.

The Series A is not subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series A do not have the right to require redemption of any shares of Series A.

Liquidation Right

In the event of any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, before any distribution or payment out of our assets may be made to or set aside for the holders of any junior stock, holders of Series A will be entitled to receive out of our assets legally available for distribution to our stockholders an amount equal to the stated amount per share, together with an amount equal to all accrued dividends to the date of payment whether or not earned or declared (the "liquidation preference").

If our assets are not sufficient to pay the liquidation preference in full to all holders of Series A and all holders of any class or series of our stock that ranks on a parity with Series A in the distribution of assets on liquidation, dissolution or winding up of the Company (the "liquidation preference parity stock"), the amounts paid to the holders of Series A and to the holders of all liquidation preference parity stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences of Series A and all such liquidation preference parity stock. In any such distribution, the "liquidation preference" of any holder of our stock other than the Series A means the amount otherwise payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder of stock on which dividends accrue on a noncumulative basis and, in the case of any holder of stock on which dividends

accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable. If the liquidation preference has been paid in full to all holders of Series A and all holders of any liquidation preference parity stock, the holders of junior stock will be entitled to receive all of our remaining assets according to their respective rights and preferences.

For purposes of the liquidation rights, the merger, consolidation or other business combination of us with or into any other corporation, including a transaction in which the holders of Series A receive cash, securities or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of our assets, shall not constitute a liquidation, dissolution or winding up of the Company.

Voting Rights

Except as indicated below or otherwise required by law, the holders of the Series A do not have any voting rights.

Right to Elect Two Directors on Nonpayment Events. If and whenever dividends payable on Series A have not been declared and paid in an aggregate amount equal to full dividends for at least six quarterly dividend periods or their equivalent (whether or not consecutive) (a “nonpayment event”), the number of directors then constituting our board shall be automatically increased by two and the holders of Series A, together with the holders of any and all other series of outstanding voting preferred stock then entitled to vote for additional directors, voting together as a single class in proportion to their respective stated amounts, shall be entitled to elect the two additional directors (the “preferred stock directors”); *provided* that our board shall at no time include more than two preferred stock directors (including, for purposes of this limitation, all directors that the holders of any series of voting preferred stock are entitled to elect pursuant to like voting rights).

“Voting preferred stock” means any other class or series of preferred stock that ranks equally with the Series A as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up of the affairs of the Company and upon which like voting rights have been conferred and are exercisable.

In the event that the holders of Series A and such other holders of voting preferred stock shall be entitled to vote for the election of the preferred stock directors following a nonpayment event, such directors shall be initially elected following such nonpayment event only at a special meeting called at the request of the holders of record of at least 20% of (i) the stated amount of the Series A and (ii) each other series of voting preferred stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of our stockholders, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of our stockholders. Such request to call a special meeting for the initial election of the preferred stock directors after a nonpayment event shall be made by written notice, signed by the requisite holders of Series A or voting preferred stock, and delivered to our Secretary in such manner as provided for in the certificate of designations creating the Series A, or as may otherwise be required or permitted by applicable law. If our Secretary fails to call a special meeting for the election of the preferred stock directors within 20 days of receiving proper notice, any holder of Series A may call such a meeting at our expense solely for the election of the preferred stock directors, and for this purpose and no other (unless provided otherwise by applicable law) such Series A holder shall have access to our stock ledger.

At each meeting of stockholders at which holders of the Series A and such other holders of voting preferred stock are entitled to vote for the election of the preferred stock directors, the holders of record of 40% of the total number of the Series A and voting preferred stock (determined on a series by series basis) entitled to vote at the meeting, present in person or by proxy, will constitute a quorum for the transaction of business. Each preferred stock director will be elected by a vote of the majority of the votes cast with respect to that preferred stock director’s election.

When (i) accrued dividends have been paid in full on the Series A after a nonpayment event, and (ii) the rights of holders of any voting preferred stock to participate in electing the preferred stock directors shall have ceased, the right of holders of the Series A to participate in the election of preferred stock directors shall cease (but subject always to the re-vesting of such voting rights in the case of any future nonpayment event), the terms of office of all the preferred stock directors shall immediately terminate, and the number of directors constituting our board shall automatically be reduced accordingly.

Any preferred stock director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of Series A and voting preferred stock, when they have the voting rights described above (voting together as a single class in proportion to their respective stated amounts). The preferred stock directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders if

such office shall not have previously terminated as above provided. In case any vacancy shall occur among the preferred stock directors, a successor shall be elected by our board to serve until the next annual meeting of the stockholders on the nomination of the then remaining preferred stock director or, if no preferred stock director remains in office, by the vote of the holders of record of a majority of the outstanding shares of Series A and such voting preferred stock for which dividends have not been paid, voting as a single class in proportion to their respective stated amounts. The preferred stock directors shall each be entitled to one vote per director on any matter that shall come before our board for a vote.

Other Voting Rights

So long as any shares of the Series A are outstanding, in addition to any other vote or consent of stockholders required by law or by our Restated Certificate of Incorporation, the vote or consent of the holders of at least two-thirds of the shares of Series A at the time outstanding, voting together with any other series of preferred stock that would be adversely affected in substantially the same manner and entitled to vote as a single class in proportion to their respective stated amounts (to the exclusion of all other series of preferred stock), given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating:

- **Amendment of Restated Certificate of Incorporation or Bylaws.** Any amendment, alteration or repeal of any provision of our Restated Certificate of Incorporation or Bylaws that would alter or change the voting powers, preferences or special rights of the Series A so as to affect them adversely; *provided, however,* that the amendment of the Restated Certificate of Incorporation so as to authorize or create, or to increase the authorized amount of, any class or series of stock that does not rank senior to the Series A in either the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Company shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series A;
- **Authorization of Senior Stock.** Any amendment or alteration of the certificate of incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series or any securities convertible into shares of any class or series of our capital stock ranking prior to Series A in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Company; or
- **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions.** Any consummation of (x) a binding share exchange or reclassification involving the Series A or (y) a merger or consolidation of the Company with another entity (whether or not a corporation), unless in each case (A) the shares of Series A remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares of Series A are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent and such surviving or resulting entity or ultimate parent, as the case may be, is organized under the laws of the United States or a state thereof, and (B) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and restrictions and limitations thereof, of the Series A immediately prior to such consummation, taken as a whole.

To the fullest extent permitted by law, without the consent of the holders of the Series A, so long as such action does not adversely affect the special rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series A, we may amend, alter, supplement or repeal any terms of the Series A contained in our Restated Certificate of Incorporation or the certificate of designations for the following purposes:

- (i) to cure any ambiguity, omission, inconsistency or mistake in any such instrument; or
- (ii) to make any provision with respect to matters or questions relating to the Series A that is not inconsistent with the provisions of the certificate of designations.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required shall be effected, all outstanding shares of the Series A have been redeemed or called for redemption on proper notice and sufficient funds have been set aside by us for the benefit of the holders of the Series A to effect the redemption, unless in the case of a vote or consent required to authorize senior stock if the shares of Series A are being redeemed with the proceeds from the sale of the stock to be authorized.

Under current provisions of the Delaware General Corporation Law, the holders of issued and outstanding preferred stock are entitled to vote as a class, with the consent of the majority of the class being required to approve an amendment to our Restated Certificate of Incorporation if the amendment would increase or decrease the aggregate number of authorized shares of such class or increase or decrease the par value of the shares of such class.

No Preemptive and Conversion Rights

Holders of the Series A do not have any preemptive rights. The Series A is not convertible into or exchangeable for property or shares of any other series or class of our capital stock.

Additional Classes or Series of Stock

We have the right to create and issue additional classes or series of stock ranking equally with or junior to the Series A as to dividends and distribution of assets upon our liquidation, dissolution, or winding up without the consent of the holders of the Series A, or the holders of the related depositary shares.

Transfer Agent and Registrar

Computershare Trust Company, N.A. is the transfer agent and registrar for the Series A as of the original issue date. We may terminate such appointment and may appoint a successor transfer agent and/or registrar at any time and from time to time, provided that we will use our best efforts to ensure that there is, at all relevant times when the Series A is outstanding, a person or entity appointed and serving as transfer agent and/or registrar. The transfer agent and/or registrar may be a person or entity affiliated with us.

DESCRIPTION OF THE DEPOSITARY SHARES

General

We have issued fractional interests in shares of the Series A in the form of depositary shares. Each depositary share represents a 1/1,000th ownership interest in a share of the Series A and is evidenced by a depositary receipt.

The Series A represented by depositary shares has been deposited under a deposit agreement among us, Computershare Inc. and Computershare Trust Company, N.A., as the Depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares. Subject to the terms of the deposit agreement, each holder of a depositary share is entitled, through the Depositary, in proportion to the applicable fraction of a share of the Series A represented by such depositary shares, to all the rights and preferences of the Series A represented thereby (including dividend, voting, redemption and liquidation rights).

The depositary shares are listed on the NYSE under the symbol "T PRA".

Dividends and Other Distributions

Each dividend on a depositary share will be in an amount equal to 1/1,000th of the dividend declared on the related share of the Series A.

The Depositary distributes any cash dividends or other cash distributions received in respect of the deposited Series A to the record holders of depositary shares relating to the underlying Series A in proportion to the number of depositary shares held by each holder on the relevant record date. The Depositary distributes any property received by it other than cash to the record holders of depositary shares entitled to those distributions in proportion to the number of depositary shares held by each such holder, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make such distribution. In that event, the Depositary may, with our approval, sell such property received by it and distribute the net proceeds from the sale to the holders of the depositary shares entitled to such distribution in proportion to the number of depositary shares they hold.

Record dates for the payment of dividends and other matters relating to the depositary shares are the same as the corresponding record dates for the Series A.

The amounts distributed to holders of depositary shares are reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

Redemption of Depositary Shares

If we redeem the Series A represented by the depositary shares, in whole or in part, a corresponding number of depositary shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series A held by the Depositary. The redemption price per depositary share will be equal to 1/1,000th of the redemption price per share payable with respect to the Series A, plus an amount equal to any dividends thereon that, pursuant to the provisions of the Certificate of Designations, are payable upon redemption. Whenever we redeem shares of the Series A held by the Depositary, the Depositary will redeem, as of the same redemption date, the number of depositary shares representing shares of the Series A so redeemed.

In case of any redemption of less than all of the outstanding depositary shares, the depositary shares to be redeemed will be selected by the Depositary either *pro rata* or by lot. In any such case, we will redeem depositary shares only in increments of 1,000 depositary shares and any integral multiple thereof.

The Depositary will provide notice of redemption by any authorized method to holders of the depositary shares not less than 30 and not more than 60 days prior to the date fixed for redemption of the Series A and the related depositary shares.

After the date fixed for redemption, the depositary shares called for redemption will no longer be deemed to be outstanding, and all rights of the holders of those shares will cease, except the right to receive the amount payable and any other property to which the holders were entitled upon the redemption. To receive this amount or other property, the holders must surrender the depositary receipts evidencing their depositary shares to the depositary. Any funds that we deposit with the Depositary for any depositary shares that the holders fail to redeem will be returned to us after a period of two years from the date we deposit the funds.

Voting the Shares

Because each depositary share represents a 1/1,000th interest in a share of the Series A, holders of depositary shares are entitled to a 1/1,000th of a vote per depositary share under those limited circumstances in which holders of the Series A are entitled to a vote, as described above in “Description of the 5.000% Perpetual Preferred Stock, Series A—Voting Rights.”

When the depositary receives notice of any meeting at which the holders of the Series A are entitled to vote, the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the depositary shares relating to the Series

Each record holder of the depositary shares on the record date, which will be the same date as the record date for the Series A, may instruct the Depositary to vote the amount of the Series A represented by the holder’s depositary shares. Although each depositary share is entitled to 1/1,000th of a vote, the Depositary can only vote whole shares of Series A. To the extent possible, the Depositary will vote the amount of the Series A represented by depositary shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any depositary shares representing the Series A, it will not vote the amount of the Series A represented by such depositary shares.

Form of the Depositary Shares

The depositary shares are issued in book-entry form through DTC. The Series A is issued in registered form to the Depositary.

DESCRIPTION OF THE DEPOSITARY SHARES AND 4.750% PERPETUAL PREFERRED STOCK, SERIES C

The following summary of AT&T's above referenced securities is based on and qualified by the pertinent sections of our Restated Certificate of Incorporation, including the Certificate of Designations creating the 4.750% Perpetual Preferred Stock, Series C (the "Series C"). For a complete description of the terms and provisions of the depositary shares and the Series C, please refer to our Restated Certificate of Incorporation, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the Certificate of Designations, which is filed an exhibit to a Form 8-A filed with the Securities and Exchange Commission on February 18, 2020.

References to the "holders" of the Series C shall mean Computershare Inc. and Computershare Trust Company, N.A., (the "Depositary"). References to "holders" of depositary shares mean those who own depositary shares registered in their own names, on the books that we or the Depositary maintain for this purpose, and not indirect holders who own beneficial interests in depositary shares registered in street name or issued in book-entry form through the Depositary Trust Company ("DTC"). Holders of the depositary shares are entitled through the Depositary to exercise their proportional rights and preferences of the Series C, as described under "Description of the Depositary Shares."

DESCRIPTION OF THE 4.750% PERPETUAL PREFERRED STOCK, SERIES C

General

Under our Restated Certificate of Incorporation, we have the authority to issue up to 10,000,000 shares of preferred stock, par value \$1.00 per share. Our board of directors (or a duly authorized committee of the board) is authorized without further stockholder action to cause the issuance of shares of preferred stock, including the Series C. The Series C represents a single series of our authorized preferred stock.

We have issued 70,000 shares of the Series C, which remains the amount outstanding, subject to our ability to reopen and issue additional shares and/or increase or decrease the number of designated shares of Series C as described below. The shares of Series C are fully paid and nonassessable and are not convertible into, or exchangeable for, shares of our common stock or any other class or series of our other securities and are not subject to any sinking fund or any other obligation of us for their repurchase or retirement. The shares of Series C have a "stated amount" per share of \$25,000 and are held solely by the Depositary as described under "Description of the Depositary Shares" below.

The number of designated shares of Series C may from time to time be increased (but not in excess of the total number of shares of preferred stock authorized under our Restated Certificate of Incorporation, less shares of any other series of preferred stock designated at the time of such increase) or decreased (but not below the number of shares of Series C then outstanding) by resolution of the board (or a duly authorized committee of the board), without the vote or consent of the holders of the Series C. Shares of Series C that are redeemed, purchased or otherwise acquired by us will be cancelled and shall revert to authorized but unissued shares of preferred stock undesignated as to series. We have the authority to issue fractional shares of Series C.

Ranking

With respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding up, the Series C ranks:

- senior to our common stock and any class or series of our stock that ranks junior to the Series C in the payment of dividends or in the distribution of assets upon our liquidation, dissolution or winding up (including our common stock, "junior stock");
 - senior to or on a parity with each other series of our preferred stock we have issued or may issue (except for any senior series that may be issued upon the requisite vote or consent of the holders of at least two thirds of the shares of the Series C at the time outstanding and entitled to vote, voting together with any other series of preferred stock that would be adversely affected by such issuance substantially in the same manner and entitled to vote as a single class in proportion to their respective stated amounts) with respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding up of the Company; and
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- junior to all existing and future indebtedness and other non-equity claims on us.

Dividends

Holders of Series C shall be entitled to receive, when, as and if declared by our board (or a duly authorized committee of the board), but only out of funds legally available therefor, cumulative cash dividends at the annual rate of 4.750% of the stated amount per share, and no more, payable quarterly in arrears on the 1st day of each February, May, August and November, respectively, in each year, beginning on May 1, 2020 (each, a “dividend payment date”), with respect to the dividend period (or portion thereof) ending on the day preceding such respective dividend payment date, to holders of record on the 10th day of the month before such dividend payment date or such other record date not more than 60 nor less than 10 days preceding such dividend payment date fixed for that purpose by our board (or a duly authorized committee of the board) in advance of payment of each particular dividend. The amount of the dividend per share of Series C for each dividend period (or portion thereof) is calculated on the basis of a 360-day year consisting of twelve 30-day months. If any dividend payment date is not a business day, the applicable dividend will be paid on the first business day following that day without adjustment. We will not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series C.

“Dividend period” means each period commencing on (and including) a dividend payment date and continuing to (but not including) the next succeeding dividend payment date, except that the first dividend period for the initial issuance of shares of Series C shall commence on (and include) the original issue date.

A “business day” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in The City of New York are not authorized or obligated by law, regulation or executive order to close.

Restrictions on Dividends, Redemption and Repurchases

So long as any share of Series C remains outstanding, unless full accrued dividends on all outstanding shares of Series C through and including the most recently completed dividend period have been paid or declared and a sum sufficient for the payment thereof has been set aside for payment:

- (i) no dividend may be declared or paid or set aside for payment on any junior stock, other than a dividend payable solely in stock that ranks junior to the Series C in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Company; and
- (ii) no monies may be paid or made available for a sinking fund for the redemption or retirement of junior stock, nor shall any shares of junior stock be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly, other than:
 - as a result of (x) a reclassification of junior stock, or (y) the exchange or conversion of one share of junior stock for or into another share of stock that ranks junior to the Series C in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Company; or
 - through the use of the proceeds of a substantially contemporaneous sale of other shares of stock that ranks junior to the Series C in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Company; or
 - purchases, redemptions or other acquisitions of shares of junior stock in connection with any employment contract, benefit plan, or other similar arrangement with or for the benefit of employees, officers, directors or consultants.

“Accrued dividends” means, with respect to shares of Series C, an amount computed at the annual dividend rate for Series C from, as to each share, the date of issuance of such share to and including the date to which such dividends are to be accrued (whether or not such dividends have been declared), less the aggregate amount of all dividends previously paid on such share.

If our board (or a duly authorized committee of the board) elects to declare only partial instead of full dividends for a dividend payment date and related dividend period on the shares of Series C or any class or series of our stock that ranks on a parity with Series C in the payment of dividends (“dividend parity stock”), then to the extent permitted by the terms of the Series C and each outstanding series of dividend parity stock such partial dividends shall be declared on shares of Series C and dividend parity stock, and dividends so declared shall be paid,

as to any such dividend payment date and related dividend period in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, “full dividends” means, as to the Series C and any dividend parity stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring the Series C and such dividend parity stock current in dividends, including undeclared dividends for past dividend periods (that is, for Series C, full accrued dividends). To the extent a dividend period with respect to the Series C or any series of dividend parity stock (in either case, the “first series”) coincides with more than one dividend period with respect to another series as applicable (in either case, a “second series”), for purposes of the immediately preceding sentence our board (or a duly authorized committee of the board) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any dividend parity stock and dividend period(s) with respect to the Series C for purposes of the immediately preceding sentence in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such dividend parity stock and the Series C.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by our board (or a duly authorized committee of the board) may be declared and paid on any junior stock from time to time out of any funds legally available therefor, and the shares of Series C shall not be entitled to participate in any such dividend.

Optional Redemption

The Series C is perpetual and has no maturity date. We may, at our option, redeem the shares of Series C:

(i) in whole or in part, at any time on or after February 18, 2025, at a cash redemption price equal to the stated amount (*i.e.*, \$25,000 per share of Series C) (equivalent to \$25.00 per depositary share), plus (except as otherwise provided herein) an amount equal to all accrued and unpaid dividends thereon (whether or not declared), to, but not including, the date fixed for redemption; or

(ii) in whole but not in part at any time within 90 days after the conclusion of any review or appeal process instituted by us following the occurrence of a ratings event at a cash redemption price equal to \$25,500 per share of Series C (equivalent to \$25.50 per depositary share), plus (except as otherwise provided herein) an amount equal to all accrued and unpaid dividends thereon (whether or not declared) to, but not including, the date fixed for redemption.

“Ratings event” means that any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act or in any successor provision thereto, that then publishes a rating for us (a “rating agency”) amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series C, which amendment, clarification or change results in:

(i) the shortening of the length of time the Series C is assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series C; or

(ii) the lowering of the equity credit (including up to a lesser amount) assigned to the Series C by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series C.

The redemption price for any shares of Series C shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to us or our agent, if the shares of Series C are issued in certificated form. Any accrued but unpaid dividends payable on a redemption date that occurs subsequent to the applicable record date for a dividend period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the applicable dividend payment date.

In case of any redemption of only part of the shares of Series C at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series C in proportion to the number of shares of Series C held by such holders or by lot. Subject to the provisions hereof, our board (or a duly authorized committee of the board) shall have full power and authority to prescribe the terms and conditions on which shares of Series C shall be redeemed from time to time. If we shall have issued certificates for the Series C and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

Redemption Procedures

A notice of every redemption of shares of Series C shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on our books. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series C designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series C. Notwithstanding the foregoing, if the Series C or any depositary shares representing interests in the Series C are issued in book-entry form through The Depository Trust Company or any other similar facility, the Depository Trust Company or such other facility will provide notice of redemption by any authorized method to holders of record of the applicable Series C or depositary shares representing interests in the Series C not less than 30, nor more than 60, days prior to the date fixed for redemption of the Series C and related depositary shares.

Each notice of redemption given to a holder shall state:

- the redemption date;
- the number of shares of the Series C to be redeemed and, if less than all shares of the Series C held by such holder are to be redeemed, the number of shares to be redeemed from such holder;
- the redemption price;
- the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and
- that dividends will cease to accrue on the redemption date.

If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by us, separate and apart from our other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available for that purpose, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series C are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with our other funds, and after that time the holders of the shares so called for redemption shall look only to us for payment of the redemption price of such shares.

The Series C is not subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series C do not have the right to require redemption of any shares of Series C.

Liquidation Right

In the event of any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, before any distribution or payment out of our assets may be made to or set aside for the holders of any junior stock, holders of Series C will be entitled to receive out of our assets legally available for distribution to our stockholders an amount equal to the stated amount per share, together with an amount equal to all accrued dividends to the date of payment whether or not earned or declared (the "liquidation preference").

If our assets are not sufficient to pay the liquidation preference in full to all holders of Series C and all holders of any class or series of our stock that ranks on a parity with Series C in the distribution of assets on liquidation, dissolution or winding up of the Company (the "liquidation preference parity stock"), the amounts paid to the holders of Series C and to the holders of all liquidation preference parity stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences of Series C and all such liquidation preference parity stock. In any such distribution, the "liquidation preference" of any holder of our stock other than the Series C means the amount otherwise payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder of stock on which dividends accrue on a noncumulative basis and, in the case of any holder of stock on which dividends

accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable. If the liquidation preference has been paid in full to all holders of Series C and all holders of any liquidation preference parity stock, the holders of junior stock will be entitled to receive all of our remaining assets according to their respective rights and preferences.

For purposes of the liquidation rights, the merger, consolidation or other business combination of us with or into any other corporation, including a transaction in which the holders of Series C receive cash, securities or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of our assets, shall not constitute a liquidation, dissolution or winding up of the Company.

Voting Rights

Except as indicated below or otherwise required by law, the holders of the Series C do not have any voting rights.

Right to Elect Two Directors on Nonpayment Events. If and whenever dividends payable on Series C have not been declared and paid in an aggregate amount equal to full dividends for at least six quarterly dividend periods or their equivalent (whether or not consecutive) (a “nonpayment event”), the number of directors then constituting our board shall be automatically increased by two and the holders of Series C, together with the holders of any and all other series of outstanding voting preferred stock then entitled to vote for additional directors, voting together as a single class in proportion to their respective stated amounts, shall be entitled to elect the two additional directors (the “preferred stock directors”); *provided* that our board shall at no time include more than two preferred stock directors (including, for purposes of this limitation, all directors that the holders of any series of voting preferred stock are entitled to elect pursuant to like voting rights).

“Voting preferred stock” means any other class or series of preferred stock that ranks equally with the Series C as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up of the affairs of the Company and upon which like voting rights have been conferred and are exercisable.

In the event that the holders of Series C and such other holders of voting preferred stock shall be entitled to vote for the election of the preferred stock directors following a nonpayment event, such directors shall be initially elected following such nonpayment event only at a special meeting called at the request of the holders of record of at least 20% of (i) the stated amount of the Series C and (ii) each other series of voting preferred stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of our stockholders, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of our stockholders. Such request to call a special meeting for the initial election of the preferred stock directors after a nonpayment event shall be made by written notice, signed by the requisite holders of Series C or voting preferred stock, and delivered to our Secretary in such manner as provided for in the certificate of designations creating the Series C, or as may otherwise be required or permitted by applicable law. If our Secretary fails to call a special meeting for the election of the preferred stock directors within 20 days of receiving proper notice, any holder of Series C may call such a meeting at our expense solely for the election of the preferred stock directors, and for this purpose and no other (unless provided otherwise by applicable law) such Series C holder shall have access to our stock ledger.

At each meeting of stockholders at which holders of the Series C and such other holders of voting preferred stock are entitled to vote for the election of the preferred stock directors, the holders of record of 40% of the total number of the Series C and voting preferred stock (determined on a series by series basis) entitled to vote at the meeting, present in person or by proxy, will constitute a quorum for the transaction of business. Each preferred stock director will be elected by a vote of the majority of the votes cast with respect to that preferred stock director’s election.

When (i) accrued dividends have been paid in full on the Series C after a nonpayment event, and (ii) the rights of holders of any voting preferred stock to participate in electing the preferred stock directors shall have ceased, the right of holders of the Series C to participate in the election of preferred stock directors shall cease (but subject always to the re-vesting of such voting rights in the case of any future nonpayment event), the terms of office of all the preferred stock directors shall immediately terminate, and the number of directors constituting our board shall automatically be reduced accordingly.

Any preferred stock director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of Series C and voting preferred stock, when they have the voting rights described above (voting together as a single class in proportion to their respective stated amounts). The preferred stock directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders if

such office shall not have previously terminated as above provided. In case any vacancy shall occur among the preferred stock directors, a successor shall be elected by our board to serve until the next annual meeting of the stockholders on the nomination of the then remaining preferred stock director or, if no preferred stock director remains in office, by the vote of the holders of record of a majority of the outstanding shares of Series C and such voting preferred stock for which dividends have not been paid, voting as a single class in proportion to their respective stated amounts. The preferred stock directors shall each be entitled to one vote per director on any matter that shall come before our board for a vote.

Other Voting Rights

So long as any shares of the Series C are outstanding, in addition to any other vote or consent of stockholders required by law or by our Restated Certificate of Incorporation, the vote or consent of the holders of at least two-thirds of the shares of Series C at the time outstanding, voting together with any other series of preferred stock that would be adversely affected in substantially the same manner and entitled to vote as a single class in proportion to their respective stated amounts (to the exclusion of all other series of preferred stock), given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating:

- **Amendment of Restated Certificate of Incorporation or Bylaws.** Any amendment, alteration or repeal of any provision of our Restated Certificate of Incorporation or Bylaws that would alter or change the voting powers, preferences or special rights of the Series C so as to affect them adversely; *provided, however,* that the amendment of the Restated Certificate of Incorporation so as to authorize or create, or to increase the authorized amount of, any class or series of stock that does not rank senior to the Series C in either the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Company shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series C;
- **Authorization of Senior Stock.** Any amendment or alteration of the certificate of incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series or any securities convertible into shares of any class or series of our capital stock ranking prior to Series C in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Company; or
- **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions.** Any consummation of (x) a binding share exchange or reclassification involving the Series C or (y) a merger or consolidation of the Company with another entity (whether or not a corporation), unless in each case (A) the shares of Series C remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares of Series C are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent and such surviving or resulting entity or ultimate parent, as the case may be, is organized under the laws of the United States or a state thereof, and (B) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and restrictions and limitations thereof, of the Series C immediately prior to such consummation, taken as a whole.

To the fullest extent permitted by law, without the consent of the holders of the Series C, so long as such action does not adversely affect the special rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series C, we may amend, alter, supplement or repeal any terms of the Series C contained in our Restated Certificate of Incorporation or the certificate of designations for the following purposes:

- (i) to cure any ambiguity, omission, inconsistency or mistake in any such instrument; or
- (ii) to make any provision with respect to matters or questions relating to the Series C that is not inconsistent with the provisions of the certificate of designations.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required shall be effected, all outstanding shares of the Series C have been redeemed or called for redemption on proper notice and sufficient funds have been set aside by us for the benefit of the holders of the Series C to effect the redemption, unless in the case of a vote or consent required to authorize senior stock if the shares of Series C are being redeemed with the proceeds from the sale of the stock to be authorized.

Under current provisions of the Delaware General Corporation Law, the holders of issued and outstanding preferred stock are entitled to vote as a class, with the consent of the majority of the class being required to approve an amendment to our Restated Certificate of Incorporation if the amendment would increase or decrease the aggregate number of authorized shares of such class or increase or decrease the par value of the shares of such class.

No Preemptive and Conversion Rights

Holders of the Series C do not have any preemptive rights. The Series C is not convertible into or exchangeable for property or shares of any other series or class of our capital stock.

Additional Classes or Series of Stock

We have the right to create and issue additional classes or series of stock ranking equally with or junior to the Series C as to dividends and distribution of assets upon our liquidation, dissolution, or winding up without the consent of the holders of the Series C, or the holders of the related depositary shares.

Transfer Agent and Registrar

Computershare Trust Company, N.A. is the transfer agent and registrar for the Series C as of the original issue date. We may terminate such appointment and may appoint a successor transfer agent and/or registrar at any time and from time to time, provided that we will use our best efforts to ensure that there is, at all relevant times when the Series C is outstanding, a person or entity appointed and serving as transfer agent and/or registrar. The transfer agent and/or registrar may be a person or entity affiliated with us.

DESCRIPTION OF THE DEPOSITARY SHARES

General

We have issued fractional interests in shares of the Series C in the form of depositary shares. Each depositary share represents a 1/1,000th ownership interest in a share of the Series C and is evidenced by a depositary receipt.

The Series C represented by depositary shares has been deposited under a deposit agreement among us, Computershare Inc. and Computershare Trust Company, N.A., as the Depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares. Subject to the terms of the deposit agreement, each holder of a depositary share is entitled, through the Depositary, in proportion to the applicable fraction of a share of the Series C represented by such depositary shares, to all the rights and preferences of the Series C represented thereby (including dividend, voting, redemption and liquidation rights).

The depositary shares are listed on the NYSE under the symbol "T PRA".

Dividends and Other Distributions

Each dividend on a depositary share will be in an amount equal to 1/1,000th of the dividend declared on the related share of the Series C.

The Depositary distributes any cash dividends or other cash distributions received in respect of the deposited Series C to the record holders of depositary shares relating to the underlying Series C in proportion to the number of depositary shares held by each holder on the relevant record date. The Depositary distributes any property received by it other than cash to the record holders of depositary shares entitled to those distributions in proportion to the number of depositary shares held by each such holder, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make such distribution. In that event, the Depositary may, with our approval, sell such property received by it and distribute the net proceeds from the sale to the holders of the depositary shares entitled to such distribution in proportion to the number of depositary shares they hold.

Record dates for the payment of dividends and other matters relating to the depositary shares are the same as the corresponding record dates for the Series C.

The amounts distributed to holders of depositary shares are reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

Redemption of Depositary Shares

If we redeem the Series C represented by the depositary shares, in whole or in part, a corresponding number of depositary shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series C held by the Depositary. The redemption price per depositary share will be equal to 1/1,000th of the redemption price per share payable with respect to the Series C, plus an amount equal to any dividends thereon that, pursuant to the provisions of the Certificate of Designations, are payable upon redemption. Whenever we redeem shares of the Series C held by the Depositary, the Depositary will redeem, as of the same redemption date, the number of depositary shares representing shares of the Series C so redeemed.

In case of any redemption of less than all of the outstanding depositary shares, the depositary shares to be redeemed will be selected by the Depositary either *pro rata* or by lot. In any such case, we will redeem depositary shares only in increments of 1,000 depositary shares and any integral multiple thereof.

The Depositary will provide notice of redemption by any authorized method to holders of the depositary shares not less than 30 and not more than 60 days prior to the date fixed for redemption of the Series C and the related depositary shares.

After the date fixed for redemption, the depositary shares called for redemption will no longer be deemed to be outstanding, and all rights of the holders of those shares will cease, except the right to receive the amount payable and any other property to which the holders were entitled upon the redemption. To receive this amount or other property, the holders must surrender the depositary receipts evidencing their depositary shares to the depositary. Any funds that we deposit with the Depositary for any depositary shares that the holders fail to redeem will be returned to us after a period of two years from the date we deposit the funds.

Voting the Shares

Because each depositary share represents a 1/1,000th interest in a share of the Series C, holders of depositary shares are entitled to a 1/1,000th of a vote per depositary share under those limited circumstances in which holders of the Series C are entitled to a vote, as described above in “Description of the 4.75% Perpetual Preferred Stock, Series C—Voting Rights.”

When the depositary receives notice of any meeting at which the holders of the Series C are entitled to vote, the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the depositary shares relating to the Series

Each record holder of the depositary shares on the record date, which will be the same date as the record date for the Series C, may instruct the Depositary to vote the amount of the Series C represented by the holder’s depositary shares. Although each depositary share is entitled to 1/1,000th of a vote, the Depositary can only vote whole shares of Series C. To the extent possible, the Depositary will vote the amount of the Series C represented by depositary shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any depositary shares representing the Series C, it will not vote the amount of the Series C represented by such depositary shares.

Form of the Depositary Shares

The depositary shares are issued in book-entry form through DTC. The Series C is issued in registered form to the Depositary.

DESCRIPTION OF THE FLOATING RATE GLOBAL NOTES DUE 2023

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of May 15, 2013, with The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Indenture") and the Floating Rate Global Notes due 2023 (the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the form of Notes, which is filed as an exhibit to the Form 8-A filed with the Securities and Exchange Commission on December 19, 2018.

General

The Notes:

- were issued in an aggregate initial principal amount of €878,507,000, which remains the amount outstanding, subject to our ability to issue additional Notes which may be of the same series as the Notes as described under "— Further Issues";
- mature on September 5, 2023;
- bear interest at the applicable interest rate on the Notes in effect for each day of an Interest Period (as defined below) equal to the Applicable EURIBOR Rate plus 85 basis points (0.850%), payable quarterly in arrears;
- are repayable at par at maturity;
- are redeemable by us in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The Notes are our unsecured and unsubordinated obligations and rank *pari passu* with all other indebtedness issued under our Indenture. The Notes constitute a single series under the Indenture. The Notes are issued in fully registered form only and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Principal and interest payments on the Notes are payable by us in euro. Payments of principal, interest and additional amounts, if any, in respect of the Notes will be made to Euroclear System, Clearstream Banking S.A. or such nominee or common depository, as the case may be, as registered holder thereof. Under the terms of the Indenture, if the euro ceases to exist when payments on the Notes are due under any circumstances, AT&T may supplement the Indenture to allow for payment in U.S. dollars. The principal and interest payable in U.S. dollars on a Note at maturity, or upon redemption, will be paid by wire transfer of immediately available funds against presentation of a Note at the office of the paying agent.

Interest

The Notes bear interest from December 4, 2018 at a floating rate determined in a manner provided below, payable on March 4, June 4, September 4 and December 4 of each year (each such day, an "interest payment date"), commencing on March 4, 2019, to the persons in whose names the Notes are registered at the close of business on the 15th day preceding the respective interest payment date, subject to certain exceptions, including that the last interest payment date will be made on the maturity date, rather than the final interest payment date (a difference of one day). The per annum interest rate on the Notes in effect for each day of an Interest Period is equal to the Applicable EURIBOR Rate plus 85 basis points (0.850%). The interest rate for the Notes for each Interest Period is set on March 4, June 4, September 4 and December 4 of each year, and was set for the initial Interest Period on December 4, 2018 (each such date, an "Interest Reset Date") until the principal on the Notes is paid or made available for payment (the "Principal Payment Date"); provided that the last Interest Reset Date will be on June 4, 2023, and will be calculated for the entire Interest Period, which for the avoidance of doubt, will include one additional day. If any Interest Reset Date (other than the initial Interest Reset Date which occurred on December 4, 2018) and interest payment date would otherwise be a day that is not a EURIBOR business day, such Interest Reset Date and interest payment date shall be the next succeeding EURIBOR business day, unless the next succeeding EURIBOR business day is in the next succeeding calendar month, in which case such Interest Reset Date and interest payment date shall be the immediately preceding EURIBOR business day.

“EURIBOR business day” means any day that is not a Saturday or Sunday and that, in the City of New York or the City of London, is not a day on which banking institutions are generally authorized or obligated by law to close, and is a day on which the TARGET System, or any successor thereto, operates.

“Interest Period” means the period from and including an Interest Reset Date to but excluding the next succeeding Interest Reset Date and, in the case of the last such period, from and including the Interest Reset Date immediately preceding the maturity date or Principal Payment Date, as the case may be, to but not including such maturity date or Principal Payment Date, as the case may be. If the Principal Payment Date or maturity date is not a EURIBOR business day, then the principal amount of the Notes plus accrued and unpaid interest thereon shall be paid on the next succeeding EURIBOR business day and no interest shall accrue for the maturity date, Principal Payment Date or any day thereafter.

The “Applicable EURIBOR Rate” means the rate determined in accordance with the following provisions:

(1) Two prior TARGET days on which dealings in deposits in euros are transacted in the euro-zone interbank market preceding each Interest Reset Date (each such date, an “Interest Determination Date”), The Bank of New York Mellon, London Branch (the “Calculation Agent”), as agent for AT&T, will determine the Applicable EURIBOR Rate which shall be the rate for deposits in euro having a maturity of three months commencing on the first day of the applicable interest period that appears on the Reuters Screen EURIBOR01 Page as of 11:00 a.m., Brussels time, on such Interest Determination Date. “Reuters Screen EURIBOR01 Page” means the display designated on page “EURIBOR01” on Reuters (or such other page as may replace the EURIBOR01 page on that service or any successor service for the purpose of displaying euro-zone interbank offered rates for euro-denominated deposits of major banks). If the Applicable EURIBOR Rate on such Interest Determination Date does not appear on the Reuters Screen EURIBOR01 Page, the Applicable EURIBOR Rate will be determined as described in (2) below.

(2) With respect to an Interest Determination Date for which the Applicable EURIBOR Rate does not appear on the Reuters Screen EURIBOR01 Page, as specified in (1) above, the Applicable EURIBOR Rate will be determined on the basis of the rates at which deposits in euro are offered by four major banks in the euro-zone interbank market selected by AT&T (the “Reference Banks”) at approximately 11:00 a.m., Brussels time, on such Interest Determination Date to prime banks in the euro-zone interbank market having a maturity of three months, and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in such market at such time. The Calculation Agent, upon direction from AT&T, will request the principal euro-zone office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Applicable EURIBOR Rate on such Interest Determination Date will be the arithmetic mean (rounded upwards) of such quotations. If fewer than two quotations are provided, the Applicable EURIBOR Rate on such Interest Determination Date will be the arithmetic mean (rounded upwards) of the rates quoted by three major banks in the euro-zone selected by AT&T at approximately 11:00 a.m., Brussels time, on such Interest Determination Date for loans in euro to leading European banks, having a maturity of three months, and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks so selected as aforesaid by AT&T are not quoting as mentioned in this sentence, the relevant interest rate for the Interest Period commencing on the Interest Reset Date following such Interest Determination Date will be the interest rate in effect on such Interest Determination Date (i.e., the same as the rate determined for the immediately preceding Interest Reset Date).

The amount of interest for each day that the Notes are outstanding (the “Daily Interest Amount”) is calculated by dividing the interest rate in effect for such day by 360 and multiplying the result by the principal amount of the Note (known as the “Actual/360” day count). The amount of interest paid on the Notes for any Interest Period is calculated by adding the Daily Interest Amount for each day in such Interest Period.

The interest rate and amount of interest paid on the Notes for each Interest Period is determined by the Calculation Agent. The Calculation Agent will, upon the request of any holder of the Notes, provide the interest rate then in effect with respect to the Notes. All calculations made by the Calculation Agent shall in the absence of manifest error be conclusive for all purposes and binding on AT&T and the holders of the Notes. So long as the Applicable EURIBOR Rate is required to be determined with respect to the Notes, there will at all times be a Calculation Agent. In the event that any then acting Calculation Agent shall be unable or unwilling to act, or that such Calculation Agent shall fail to duly establish the Applicable EURIBOR Rate for any Interest Period, or that AT&T proposes to remove such Calculation Agent, AT&T shall appoint itself or another person which is a bank, trust company, investment banking firm or other financial institution to act as the Calculation Agent.

Payment of Additional Amounts

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts as are necessary so that the net payment by us or our paying agent of the principal of and interest on the Notes to a person that is a United States Alien, after deduction for any present or future tax, assessment or governmental charge of the United States or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount that would have been payable in respect of the Notes had no withholding or deduction been required. As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

Our obligation to pay additional amounts shall not apply:

(1) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner, or a fiduciary, settlor, beneficiary or member of the beneficial owner if the beneficial owner is an estate, trust or partnership, or a person holding a power over an estate or trust administered by a fiduciary holder:

(a) is or was present or engaged in a trade or business in the United States, has or had a permanent establishment in the United States, or has any other present or former connection with the United States or any political subdivision or taxing authority thereof or therein;

(b) is or was a citizen or resident or is or was treated as a resident of the United States;

(c) is or was a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States or is or was a corporation that has accumulated earnings to avoid United States federal income tax;

(d) is or was a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"); or

(e) is or was an actual or constructive owner of 10% or more of the total combined voting power of all classes of stock of AT&T entitled to vote;

(2) to any holder that is not the sole beneficial owner of the Notes, or a portion thereof, or that is a fiduciary or partnership, but only to the extent that the beneficial owner, a beneficiary or settlor with respect to the fiduciary, or a member of the partnership would not have been entitled to the payment of an additional amount had such beneficial owner, beneficiary, settlor or member received directly its beneficial or distributive share of the payment;

(3) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or governmental charge that is imposed other than by deduction or withholding by AT&T or a paying agent from the payment;

(5) to any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that is announced or becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later;

(6) to an estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or any similar tax, assessment or governmental charge;

(7) to any tax, assessment or other governmental charge any paying agent (which term may include us) must withhold from any payment of principal of or interest on any Note, if such payment can be made without such withholding by any other paying agent; or

(8) in the case of any combination of the above items.

In addition, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable. Except as specifically provided under this heading “— Payment of Additional Amounts” and under the heading “— Redemption Upon a Tax Event”, we do not have to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority.

Any reference in the terms of the Notes to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Redemption Upon a Tax Event

If (a) we become or will become obligated to pay additional amounts with respect to any Notes as described herein under the heading “— Payment of Additional Amounts” as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States (or any political subdivision or taxing authority thereof or therein), or any change in, or amendments to, any official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective, on or after February 15, 2018, or (b) a taxing authority of the United States takes an action on or after February 15, 2018, whether or not with respect to us or any of our affiliates, that results in a substantial probability that we will or may be required to pay such additional amounts, then we may, at our option, redeem, as a whole, but not in part, the Notes on any interest payment date on not less than 30 nor more than 60 calendar days’ prior notice, at a redemption price equal to 100% of their principal amount, together with interest accrued thereon to the date fixed for redemption. No redemption pursuant to (b) above may be made unless we shall have received an opinion of independent counsel to the effect that an act taken by a taxing authority of the United States results in a substantial probability that we will or may be required to pay the additional amounts described herein under the heading “— Payment of Additional Amounts” and we shall have delivered to the trustee a certificate, signed by a duly authorized officer, stating that based on such opinion we are entitled to redeem the Notes pursuant to their terms.

Further Issues

We may from time to time, without notice to or the consent of the holders of any series of the Notes, create and issue further notes ranking equally and ratably with such series in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as, and will be fungible for United States federal income tax purposes with, the Notes of the applicable series. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers’ certificate pursuant to the Indenture.

Governing Law

The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
-

- The company we merge into or sell to must agree to be legally responsible for our debt securities.
- The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “—Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Further, we may buy substantially all of the assets of another company without complying with any of the foregoing conditions.

Modification and Waiver of Holders’ Contractual Rights

Under certain circumstances, we can make changes to the Indenture and the securities (including the Notes). Some types of changes require the approval of each security holder affected, some require approval by a majority vote, and some changes do not require any approval at all.

Changes Requiring Approval of Holders. First, there are changes that cannot be made to the securities without specific approval of holders. The following is a list of those types of changes:

- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
- to reduce the rate of interest on any security or change the time for payment of interest;
- to reduce the principal due on any security or change the fixed maturity of any security;
- to waive a default in the payment of principal or interest on any security;
- to change the currency of payment on a security, unless the security provides for payment in a currency that ceases to exist;
- in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
- to change the right of holders to waive an existing default by majority vote;
- to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
- to make any change to this list of changes that requires specific approval of holders.

Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except as set forth in the following paragraph. The same vote would be required for us to obtain a waiver of an existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder’s individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms, changes to make securities payable in U.S. dollars (if the stated denomination ceases to exist) and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.
-

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in “street name” and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
 - We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
-

- We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
- We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.

Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an “indemnity”. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and brings such holder’s own lawsuit or other formal legal action or take other steps to enforce such holder’s rights or protect such holder’s interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder’s security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder’s debt security, however, without such holder’s individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders' interest.

Holders who hold in "street name" and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A. is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon Trust Company, N.A. may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

DESCRIPTION OF THE 2.500% GLOBAL NOTES DUE 2023 AND THE 3.550% GLOBAL NOTES DUE 2032

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of November 1, 1994, with The Bank of New York Mellon acting as trustee (the "Indenture") and the 2.500% Global Notes due 2023 (the "2.500% 2023 Notes"), and the 3.550% Global Notes due 2032 (the "3.550% 2032 Notes" and, together with the 2.500% 2023 Notes, the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the forms of Notes, which are filed as exhibits to the Form 8-As filed with the Securities and Exchange Commission on December 6, 2012, December 17, 2012 and March 13, 2013.

General

The 2.500% 2023 Notes:

- were issued in an aggregate initial principal amount of €1,250,000,000, which remains the amount outstanding, subject to our ability to issue additional 2.500% 2023 Notes which may be of the same series as the 2.500% 2023 Notes as described under "— Further Issues";
- mature on March 15, 2023;
- bear interest at the rate of 2.500% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 3.550% 2032 Notes:

- were issued in an aggregate initial principal amount of €1,000,000,000 and an additional aggregate principal amount of €400,000,000 was subsequently issued such that €1,400,000,000 remains the amount outstanding, subject to our ability to issue additional 3.550% 2032 Notes which may be of the same series as the 3.550% 2032 Notes as described under "— Further Issues";
- mature on December 17, 2032;
- bear interest at the rate of 3.550% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The Notes are unsecured and unsubordinated obligations and rank *pari passu* with all other indebtedness issued under our Indenture. Each series of Notes constitutes a separate series under the Indenture. The Notes are issued in fully registered form only and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Principal and interest payments on the Notes are payable by us in euro. Payments of principal, interest and additional amounts, if any, in respect of the Notes will be made to Euroclear System, Clearstream Banking S.A. or such nominee or common depository, as the case may be, as registered holder thereof.

For purposes of the Notes, a business day means a business day in the City of New York and London.

Interest

The 2.500% 2023 Notes bear interest at the rate of 2.500% per annum and the 3.550% 2032 Notes bear interest at the rate of 3.550% per annum.

We pay interest on the 2.500% 2023 Notes annually in arrears on March 15, commencing on March 15, 2014, to the persons in whose names the 2.500% 2023 Notes are registered at the close of business on the March 1 preceding the interest payment date. We pay interest on the 3.550% 2032 Notes annually in arrears on December 17, commencing on December 17, 2013, to the persons in whose names the 3.550% 2032 Notes are registered at the close of business on the December 1 preceding the interest payment date.

The 2.500% 2023 Notes will mature on March 15, 2023 and the 3.550% 2032 Notes will mature on December 17, 2032.

Interest on the Notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes, to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

Optional Redemption

At any time prior to the applicable Par Call Date (as set forth in the table below), the Notes will be redeemable, as a whole or in part, at our option, at any time and from time to time on at least 30 days', but not more than 60 days', prior notice mailed to the registered address of each holder of the Notes of such series to be redeemed. The redemption price will be equal to the greater of (1) 100% of the principal amount of the Notes of such series to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date, on an annual basis (ACTUAL/ACTUAL (ICMA)), at a rate equal to the Treasury Rate (as defined below) plus a number of basis points equal to the applicable Make-Whole Spread (as set forth in the table below). In either case, accrued interest will be payable to the redemption date. At any time on or after the applicable Par Call Date (as set forth in the table below), we have the option to redeem the Notes, as a whole or in part, on at least 30 days', but not more than 60 days', prior notice mailed to the registered address of each holder of the Notes of such series to be redeemed, at a redemption price equal to 100% of the principal amount of such series of Notes to be redeemed. Accrued interest will be payable to the redemption date.

Series	Par Call Date	Make-Whole Spread
2.500% 2023 Notes	December 15, 2022	15 bps
3.550% 2032 Notes	September 17, 2032	25 bps

“*Treasury Rate*” means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield on the Notes of the applicable series, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the Reference Bond (as defined below) on the basis of the middle market price of the Reference Bond prevailing at 11:00 a.m. (London time) on such dealing day as determined by either the Company or an investment bank appointed by the Company.

“*Reference Bond*” means, in relation to any Treasury Rate calculation, a German government bond whose maturity is closest to the maturity of the Notes of the applicable series, or if the Company or an investment bank appointed by the Company considers that such similar bond is not in issue, such other German government bond as the Company or an investment bank appointed by the Company may, with the advice of three brokers of, and/or market makers in, German government bonds selected by the Company or an investment bank appointed by the Company, determine to be appropriate for determining such Treasury Rate.

“*Remaining Scheduled Payments*” means, with respect to each Note of a series to be redeemed, the remaining scheduled payments of principal of and interest on such Note that would be due after the related redemption date but for the redemption. If that redemption date is not an interest payment date with respect to the

applicable series of Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to the redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with a paying agent or the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date.

In the case of any partial redemption, selection of the Notes of any series to be redeemed will be made by the trustee by lot or by such other method as the trustee in its sole discretion deems to be fair and appropriate.

Redemption for Taxation Reasons

If (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined below under “Interpretation”), or any change in the official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after March 6, 2013 with respect to the 2.500% 2023 Notes and December 11, 2012 with respect to the 3.550% 2032 Notes, on the next Interest Payment Date we would be required to pay additional amounts as provided or referred to below under “— Payment Without Withholding” and (b) the requirement cannot be avoided by our taking reasonable measures available to us, we may at our option, having given not less than 30 nor more than 60 days’ notice to the holders of the Notes (which notice shall be irrevocable), redeem all, but not a portion of, the Notes at any time at their principal amount together with interest accrued to, but excluding, the date of redemption provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which we would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, we shall deliver to the trustee a certificate signed by two of our executive officers stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and setting forth a statement of facts showing that the conditions precedent to the right of AT&T so to redeem have occurred, cannot be avoided by us taking reasonable measures available to us and an opinion of independent legal advisers of recognized international standing to the effect that AT&T has or will become obliged to pay such additional amounts as a result of the change or amendment, in each case to be held by the trustee and made available for viewing at the offices of the trustee on request by any holder of the Notes.

Payment Without Withholding

All payments in respect of the Notes by or on behalf of AT&T shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed, collected, withheld, assessed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, we will pay such additional amounts to a holder who is a United States Alien (as defined below) as may be necessary in order that the net amounts received by the holder after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Note:

(a) where such withholding or deduction would not have been so imposed but for:

(i) in the case of payment by AT&T, the existence of any present or former connection between the holder of the Note (or between a fiduciary, settlor, shareholder, beneficiary or member of the holder of the Note, if such holder is an estate, a trust, a corporation or a partnership) and the United States, including, without limitation, such holder (or such fiduciary, settlor, shareholder, beneficiary or member) being or having been a citizen or resident or treated as a resident thereof, or being or having been engaged in trade or business or presence therein, or having or having had a permanent establishment therein;

(ii) in the case of payment by AT&T, the present or former status of the holder of the Note as a personal holding company, a foreign personal holding company, a passive foreign investment company, or a controlled foreign corporation for United States federal income tax purposes or a corporation which accumulates earnings to avoid United States federal income tax;

(iii) in the case of payment by AT&T, the past or present or future status of the holder of the Note as the actual or constructive owner of 10% or more of either the total combined voting power of all classes of stock of AT&T entitled to vote if AT&T was treated as a corporation, or the capital or profits interest in AT&T, if AT&T is treated as a partnership for United States

federal income tax purposes or as a bank receiving interest described in Section 881(c) (3) (A) of the Internal Revenue Code of 1986, as amended; or

(iv) the failure by the holder of the Note to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the United States (in the case of payment by AT&T) of such holder, if compliance is required by statute or by regulation as a precondition to exemption from such withholding or deduction;

(b) in the case of payment by AT&T to any United States Alien, if such person is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the bearer of such Note. As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust;

(c) to the extent that the withholding or deduction is as a result of the imposition of any gift, inheritance, estate, sales, transfer, personal property or any similar tax, assessment or other governmental charge;

(d) to, or to a third party on behalf of, a holder who is liable for the Taxes in respect of the Notes by reason of his having any or some present or former connection, including but not limited to fiscal residency, fiscal deemed residency and substantial interest shareholdings, with the Relevant Jurisdiction, other than the mere holding of the Notes;

(e) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the relevant Notes for payment on the last day of the period of 30 days assuming that day to have been an Interest Payment Date;

(f) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal or of interest on any Notes, if such payment can be made without withholding by any other paying agent;

(g) any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of our Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(h) any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later; or

(i) any combination of (a), (b), (c), (d), (e), (f), (g) or (h).

Interpretation

As used in this description:

(a) "Relevant Date" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the trustee on or before the due date, it means the date which is seven days after the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the holders of Notes by us; and

(b) "Relevant Jurisdiction" means the State of Delaware and the United States or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which we become subject in respect of payments made by it of principal and interest on the Notes.

Additional Amounts

Any reference in the terms of the Notes of each series to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Further Issues

We may from time to time, without notice to or the consent of the holders of the Notes, create and issue further notes ranking equally and ratably with such series of Notes in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as the Notes. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers' certificate pursuant to the Indenture.

Governing Law

The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company, or to buy substantially all of the assets of another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
- The company we merge into or sell to must agree to be legally responsible for our debt securities.
- The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “— Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Modification and Waiver of Holders' Contractual Rights

Under certain circumstances, we can make changes to the Indenture and the securities (including the Notes). Some types of changes require the approval of each security holder affected, some require approval by a majority vote, and some changes do not require any approval at all.

Changes Requiring Approval of Holders. First, there are changes that cannot be made to the securities without specific approval of holders. The following is a list of those types of changes:

- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
 - to reduce the rate of interest on any security or change the time for payment of interest;
 - to reduce the principal due on any security or change the fixed maturity of any security;
 - to waive a default in the payment of principal or interest on any security;
 - to change the currency of payment on a security;
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- in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
- to change the right of holders to waive an existing default by majority vote;
- to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
- to make any change to this list of changes that requires specific approval of holders.

Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except for clarifying changes and certain other changes that would not adversely affect holders of the securities. The same vote would be required for us to obtain a waiver of an existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder's individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in "street name" and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
- We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
- We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
- We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.

Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an “indemnity”. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and brings such holder's own lawsuit or other formal legal action or take other steps to enforce such holder's rights or protect such holder's interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder's security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder's debt security, however, without such holder's individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders' interest.

Holders who hold in "street name" and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

DESCRIPTION OF THE 2.650% GLOBAL NOTES DUE 2021, THE 2.400% GLOBAL NOTES DUE 2024, THE 3.500% GLOBAL NOTES DUE 2025 AND THE 3.375% GLOBAL NOTES DUE 2034

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of May 15, 2013, with The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Indenture") and the 2.650% Global Notes due 2021 (the "2021 Notes"), the 2.400% Global Notes due 2024 (the "2024 Notes"), the 3.500% Global Notes due 2025 (the "2025 Notes") and the 3.375% Global Notes due 2034 (the "2034 Notes" and, together with the 2021 Notes, the 2024 Notes and the 2025 Notes, the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the forms of Notes, which are filed as exhibits to the Form 8-As filed with the Securities and Exchange Commission on November 13, 2013 and June 11, 2014.

General

The 2021 Notes:

- were issued in an aggregate initial principal amount of €1,000,000,000, which remains the amount outstanding, subject to our ability to issue additional 2021 Notes which may be of the same series as the 2021 Notes as described under "— Further Issues";
- mature on December 17, 2021;
- bear interest at the rate of 2.650% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 2024 Notes:

- were issued in an aggregate initial principal amount of €1,600,000,000, which remains the amount outstanding, subject to our ability to issue additional 2024 Notes which may be of the same series as the 2024 Notes as described under "— Further Issues";
- mature on March 15, 2024;
- bear interest at the rate of 2.400% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 2025 Notes:

- were issued in an aggregate initial principal amount of €1,000,000,000, which remains the amount outstanding, subject to our ability to issue additional 2025 Notes which may be of the same series as the 2025 Notes as described under "— Further Issues";
 - mature on December 17, 2025;
 - bear interest at the rate of 3.500% per annum, payable annually in arrears;
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- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 2034 Notes:

- were issued in an aggregate initial principal amount of €500,000,000, which remains the amount outstanding, subject to our ability to issue additional 2034 Notes which may be of the same series as the 2034 Notes as described under “— Further Issues”;
- mature on March 15, 2034;
- bear interest at the rate of 3.375% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The Notes are unsecured and unsubordinated obligations and rank *pari passu* with all other indebtedness issued under our Indenture. Each series of Notes constitutes a separate series under the Indenture. The Notes are issued in fully registered form only and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Principal and interest payments on the Notes are payable by us in euro. Payments of principal, interest and additional amounts, if any, in respect of the Notes will be made to Euroclear System, Clearstream Banking S.A. or such nominee or common depository, as the case may be, as registered holder thereof. Under the terms of the Indenture, if the euro ceases to exist when payments on the Notes are due under any circumstances, AT&T may supplement the Indenture to allow for payment in U.S. dollars. The principal and interest payable in U.S. dollars on a Note at maturity, or upon redemption, will be paid by wire transfer of immediately available funds against presentation of a Note at the office of the paying agent.

For purposes of the Notes, a business day means a business day in the City of New York and London.

Interest

The 2021 Notes bear interest at the rate of 2.650% per annum, the 2024 Notes bear interest at the rate of 2.400% per annum, the 2025 Notes bear interest at the rate of 3.500% per annum and the 2034 Notes bear interest at the rate of 3.375% per annum.

We pay interest on the 2021 Notes and 2025 Notes annually in arrears on December 17, commencing on December 17, 2014, to the persons in whose names the 2021 Notes and 2025 Notes are registered at the close of business on the December 1 preceding the interest payment date. We pay interest on the 2024 Notes and 2034 Notes annually in arrears on March 15, commencing on March 15, 2015, to the persons in whose names the 2024 Notes and 2034 Notes are registered at the close of business on the business day preceding the interest payment date.

The 2021 Notes will mature on December 17, 2021, the 2024 Notes will mature on March 15, 2024, the 2025 Notes will mature on December 17, 2025 and the 2034 Notes will mature on March 15, 2034.

Interest on the Notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes, to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

Optional Redemption

At any time prior to the applicable Par Call Date (as set forth in the table below), the Notes will be redeemable, as a whole or in part, at our option, at any time and from time to time on at least 30 days', but not more than 60 days', prior notice mailed to the registered address of each holder of the Notes of such series to be redeemed. The redemption price will be equal to the greater of (1) 100% of the principal amount of the Notes of such series to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date, on an annual basis (ACTUAL/ACTUAL (ICMA)), at a rate equal to the Treasury Rate (as defined below) plus a number of basis points equal to the applicable Make-Whole Spread (as set forth in the table below). In either case, accrued interest will be payable to the redemption date. At any time on or after the applicable Par Call Date (as set forth in the table below), we have the option to redeem the Notes, as a whole or in part, at our option, at any time and from time to time, on at least 30 days', but not more than 60 days', prior notice mailed to the registered address of each holder of the Notes of such series to be redeemed, at a redemption price equal to 100% of the principal amount of such series of Notes to be redeemed. Accrued interest will be payable to the redemption date.

Series	Par Call Date	Make-Whole Spread
2021 Notes	September 17, 2021	25 bps
2024 Notes	December 15, 2023	15 bps
2025 Notes	September 17, 2025	30 bps
2034 Notes	December 15, 2033	20 bps

“*Treasury Rate*” means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield on the Notes of the applicable series, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the Reference Bond (as defined below) on the basis of the middle market price of the Reference Bond prevailing at 11:00 a.m. (London time) on such dealing day as determined by the Company or an investment bank appointed by the Company.

“*Reference Bond*” means, in relation to any Treasury Rate calculation, a German government bond whose maturity is closest to the maturity of the Notes of the applicable series, or if the Company or an investment bank appointed by the Company considers that such similar bond is not in issue, such other German government bond as the Company or an investment bank appointed by the Company, with the advice of three brokers of, and/or market makers in, German government bonds selected by the Company or an investment bank appointed by the Company, determine to be appropriate for determining such Treasury Rate.

“*Remaining Scheduled Payments*” means, with respect to each Note of a series to be redeemed, the remaining scheduled payments of principal of and interest on such Note that would be due after the related redemption date but for the redemption. If that redemption date is not an interest payment date with respect to the applicable series of Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to the redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with a paying agent or the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date.

In the case of any partial redemption, selection of the Notes of a series to be redeemed will be made by the trustee by lot or by such other method as the trustee in its sole discretion deems to be fair and appropriate.

Redemption for Taxation Reasons

If (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined below under “Interpretation”), or any change in the official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after November 5, 2013 with respect to the 2021 Notes and 2025 Notes and after June 4, 2014 with respect to the 2024 Notes and 2034 Notes, on the next Interest Payment Date we would be required to pay additional amounts as provided or referred to below under “— Payment Without Withholding” and (b) the requirement cannot be avoided by our taking reasonable measures available to us, we may at our option, having given not less than 30 nor more than 60 days’ notice to the holders of the Notes (which notice shall be irrevocable), redeem all, but not a portion of, the Notes at any time at their principal amount together with interest accrued to, but excluding, the date of redemption provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which we would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, we shall deliver to the trustee a certificate signed by two of our executive officers stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and setting forth a statement of facts showing that the conditions precedent to the right of AT&T so to redeem have occurred, cannot be avoided by us taking reasonable measures available to us and an opinion of independent legal advisers of recognized international standing to the effect that AT&T has or will become obliged to pay such additional amounts as a result of the change or amendment, in each case to be held by the trustee and made available for viewing at the offices of the trustee on request by any holder of the Notes.

Payment Without Withholding

All payments in respect of the Notes by or on behalf of AT&T shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed, collected, withheld, assessed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, we will pay such additional amounts to a holder who is a United States Alien (as defined below) as may be necessary in order that the net amounts received by the holder after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Note:

(a) where such withholding or deduction would not have been so imposed but for:

(i) in the case of payment by AT&T, the existence of any present or former connection between the holder of the Note (or between a fiduciary, settlor, shareholder, beneficiary or member of the holder of the Note, if such holder is an estate, a trust, a corporation or a partnership) and the United States, including, without limitation, such holder (or such fiduciary, settlor, shareholder, beneficiary or member) being or having been a citizen or resident or treated as a resident thereof, or being or having been engaged in trade or business or presence therein, or having or having had a permanent establishment therein;

(ii) in the case of payment by AT&T, the present or former status of the holder of the Note as a personal holding company, a foreign personal holding company, a passive foreign investment company, or a controlled foreign corporation for United States federal income tax purposes or a corporation which accumulates earnings to avoid United States federal income tax;

(iii) in the case of payment by AT&T, the past or present or future status of the holder of the Note as the actual or constructive owner of 10% or more of either the total combined voting power of all classes of stock of AT&T entitled to vote if AT&T was treated as a corporation, or the capital or profits interest in AT&T, if AT&T is treated as a partnership for United States federal income tax purposes or as a bank receiving interest described in Section 881(c) (3) (A) of the Internal Revenue Code of 1986, as amended; or

(iv) the failure by the holder of the Note to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the United States (in the case of payment by AT&T) of such holder, if compliance is required by statute or by regulation as a precondition to exemption from such withholding or deduction;

(b) in the case of payment by AT&T to any United States Alien, if such person is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the

bearer of such Note. As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust;

(c) to the extent that the withholding or deduction is as a result of the imposition of any gift, inheritance, estate, sales, transfer, personal property or any similar tax, assessment or other governmental charge;

(d) to, or to a third party on behalf of, a holder who is liable for the Taxes in respect of the Notes by reason of his having any or some present or former connection, including but not limited to fiscal residency, fiscal deemed residency and substantial interest shareholdings, with the Relevant Jurisdiction, other than the mere holding of the Notes;

(e) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the relevant Notes for payment on the last day of the period of 30 days assuming that day to have been an Interest Payment Date;

(f) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal or of interest on any Notes, if such payment can be made without withholding by any other paying agent;

(g) any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of our Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(h) any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later; or

(i) any combination of (a), (b), (c), (d), (e), (f), (g) or (h).

Interpretation

As used in this description:

(a) "Relevant Date" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the trustee on or before the due date, it means the date which is seven days after the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the holders of Notes by us; and

(b) "Relevant Jurisdiction" means the State of Delaware and the United States or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which we become subject in respect of payments made by it of principal and interest on the Notes.

Additional Amounts

Any reference in the terms of the Notes to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Further Issues

We may from time to time, without notice to or the consent of the holders of the Notes, create and issue further notes ranking equally and ratably with such series of Notes in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as the Notes.

Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers' certificate pursuant to the Indenture.

Governing Law

The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
- The company we merge into or sell to must agree to be legally responsible for our debt securities.
- The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “— Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Further, we may buy substantially all of the assets of another company without complying with any of the foregoing conditions.

Modification and Waiver of Holders' Contractual Rights

Under certain circumstances, we can make changes to the Indenture and the securities (including the Notes). Some types of changes require the approval of each security holder affected, some require approval by a majority vote, and some changes do not require any approval at all.

Changes Requiring Approval of Holders. First, there are changes that cannot be made to the securities without specific approval of holders. The following is a list of those types of changes:

- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
 - to reduce the rate of interest on any security or change the time for payment of interest;
 - to reduce the principal due on any security or change the fixed maturity of any security;
 - to waive a default in the payment of principal or interest on any security;
 - to change the currency of payment on a security, unless the security provides for payment in a currency that ceases to exist;
 - in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
 - to change the right of holders to waive an existing default by majority vote;
 - to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
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- to make any change to this list of changes that requires specific approval of holders.

Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except as set forth in the following paragraph. The same vote would be required for us to obtain a waiver of an existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder's individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms, changes to make securities payable in U.S. dollars (if the stated denomination ceases to exist) and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in "street name" and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
- We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
- We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
- We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.

Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an “indemnity”. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and bring such holder’s own lawsuit or other formal legal action or take other steps to enforce such holder’s rights or protect such holder’s interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder's security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder's debt security, however, without such holder's individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders' interest.

Holders who hold in "street name" and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A. is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon Trust Company, N.A. may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

DESCRIPTION OF THE 1.450% GLOBAL NOTES DUE 2022, THE 2.750% GLOBAL NOTES DUE 2023, THE 1.050% GLOBAL NOTES DUE 2023, THE 1.300% GLOBAL NOTES DUE 2023, THE 1.950% GLOBAL NOTES DUE 2023, THE 1.800% GLOBAL NOTES DUE 2026, THE 2.350% GLOBAL NOTES DUE 2029, THE 2.600% GLOBAL NOTES DUE 2029, THE 2.450% GLOBAL NOTES DUE 2035 AND THE 3.150% GLOBAL NOTES DUE 2036

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of May 15, 2013, with The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Indenture") and the 1.450% Global Notes due 2022 (the "2022 Notes"), the 2.750% Global Notes due 2023 (the "2.750% 2023 Notes"), the 1.050% Global Notes due 2023 (the "1.050% 2023 Notes"), the 1.300% Global Notes due 2023 (the "1.300% 2023 Notes"), the 1.950% Global Notes due 2023 (the "1.950% 2023 Notes"), the 1.800% Global Notes due 2026 (the "1.800% 2026 Notes"), the 2.350% Global Notes due 2029 (the "2.350% 2029 Notes"), the 2.600% Global Notes due 2029 (the "2.600% 2029 Notes"), the 2.450% Global Notes due 2035 (the 2035 Notes") and the 3.150% Global Notes due 2036 (the "2036 Notes" and, together with the 2022 Notes, 2.750% 2023 Notes, 1.050% 2023 Notes, 1.300% 2023 Notes, 1.950% 2023 Notes, the 1.800% 2026 Notes, the 2.350% 2029 Notes, the 2.600% 2029 Notes and the 2035 Notes, the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the forms of Notes, which are filed as exhibits to the Form 8-As filed with the Securities and Exchange Commission on December 2, 2014, March 9, 2015, March 24, 2016, June 21, 2017, December 19, 2018 and June 5, 2019.

General

The 2022 Notes:

- were issued in an aggregate initial principal amount of €1,500,000,000, which remains the amount outstanding, subject to our ability to issue additional 2022 Notes which may be of the same series as the 2022 Notes as described under "— Further Issues";
- mature on June 1, 2022;
- bear interest at the rate of 1.450% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 2.750% 2023 Notes:

- were issued in an aggregate initial principal amount of €426,473,000, which remains the amount outstanding, subject to our ability to issue additional 2.750% 2023 Notes which may be of the same series as the 2.750% 2023 Notes as described under "— Further Issues";
- mature on May 19, 2023;
- bear interest at the rate of 2.750% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 1.050% 2023 Notes:

- were issued in an aggregate initial principal amount of €450,273,000, which remains the amount outstanding, subject to our ability to issue additional 1.050% 2023 Notes which may be of the same series as the 1.050% 2023 Notes as described under “— Further Issues”;
- mature on September 5, 2023;
- bear interest at the rate of 1.050% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 1.300% 2023 Notes:

- were issued in an aggregate initial principal amount of €1,250,000,000, which remains the amount outstanding, subject to our ability to issue additional 1.300% 2023 Notes which may be of the same series as the 1.300% 2023 Notes as described under “— Further Issues”;
- mature on September 5, 2023;
- bear interest at the rate of 1.300% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 1.950% 2023 Notes:

- were issued in an aggregate initial principal amount of €535,591,000, which remains the amount outstanding, subject to our ability to issue additional 1.950% 2023 Notes which may be of the same series as the 1.950% 2023 Notes as described under “— Further Issues”;
- mature on September 15, 2023;
- bear interest at the rate of 1.950% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 1.800% 2026 Notes:

- were issued in an aggregate initial principal amount of €1,489,219,000, which remains the amount outstanding, subject to our ability to issue additional 1.800% 2026 Notes which may be of the same series as the 1.800% 2026 Notes as described under “— Further Issues”;
 - mature on September 5, 2026;
-

- bear interest at the rate of 1.800% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 2.350% 2029 Notes:

- were issued in an aggregate initial principal amount of €1,260,469,000, which remains the amount outstanding, subject to our ability to issue additional 2.350% 2029 Notes which may be of the same series as the 2.350% 2029 Notes as described under “— Further Issues”;
- mature on September 5, 2029;
- bear interest at the rate of 2.350% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 2.600% 2029 Notes:

- were issued in an aggregate initial principal amount of €800,000,000, which remains the amount outstanding, subject to our ability to issue additional 2.600% 2029 Notes which may be of the same series as the 2.600% 2029 Notes as described under “— Further Issues”;
- mature on December 17, 2029;
- bear interest at the rate of 2.600% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 2035 Notes:

- were issued in an aggregate initial principal amount of €1,250,000,000, which remains the amount outstanding, subject to our ability to issue additional 2035 Notes which may be of the same series as the 2035 Notes as described under “— Further Issues”;
 - mature on March 15, 2035;
 - bear interest at the rate of 2.450% per annum, payable annually in arrears;
 - are repayable at par at maturity;
-

- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 2036 Notes:

- were issued in an aggregate initial principal amount of €1,750,000,000, which remains the amount outstanding, subject to our ability to issue additional 2036 Notes which may be of the same series as the 2036 Notes as described under “— Further Issues”;
- mature on September 4, 2036;
- bear interest at the rate of 3.150% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The Notes are unsecured and unsubordinated obligations and rank *pari passu* with all other indebtedness issued under our Indenture. Each series of Notes constitutes a separate series under the Indenture. The Notes are issued in fully registered form only and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Principal and interest payments on the Notes are payable by us in euro. Payments of principal, interest and additional amounts, if any, in respect of the Notes will be made to Euroclear System, Clearstream Banking S.A. or such nominee or common depositary, as the case may be, as registered holder thereof. Under the terms of the Indenture, if the euro ceases to exist when payments on the Notes are due under any circumstances, AT&T may supplement the Indenture to allow for payment in U.S. dollars. The principal and interest payable in U.S. dollars on a Note at maturity, or upon redemption, will be paid by wire transfer of immediately available funds against presentation of a Note at the office of the paying agent.

For purposes of the 2022 Notes, 1.050% 2023 Notes, 2.750% 2023 Notes, 1.950% 2023 Notes, 1.800% 2026 Notes, 2.350% 2029 Notes, 2.600% 2029 Notes and the 2036 Notes, a business day means any day other than a Saturday or Sunday and that, in the City of New York or the City of London, is not a day on which banking institutions are generally authorized or obligated by law to close, and is a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System, or any successor thereto, operates.

For purposes of the 1.300% 2023 Notes and the 2035 Notes, a business day means a business day in the City of New York and London.

Interest

The interest rate per annum, annual interest payment date, date of commencement of interest payment and the maturity date of each series of Notes are set forth in the table below. We pay interest on the Notes annually in arrears to the persons in whose names the Notes are registered at the close of business on the business day preceding the respective interest payment date.

Series	Interest Rate	Interest Payment Date	Commencement of Interest Payment	Maturity Date
2022 Notes	1.450%	June 1	June 1, 2015	June 1, 2022
2.750% 2023 Notes	2.750%	May 19	May 19, 2016	May 19, 2023
1.050% 2023 Notes	1.050%	September 4*	September 4, 2019	September 5, 2023
1.300% 2023 Notes	1.300%	September 5	September 5, 2015	September 5, 2023
1.950% 2023 Notes	1.950%	September 15	September 15, 2019	September 15, 2023
1.800% 2026 Notes	1.800%	September 4*	September 4, 2019	September 5, 2026
2.350% 2029 Notes	2.350%	September 4*	September 4, 2019	September 5, 2029
2.600% 2029 Notes	2.600%	December 17	December 17, 2015	December 17, 2029
2035 Notes	2.450%	March 15	March 15, 2016	March 15, 2035
2036 Notes	3.150%	September 4	September 4, 2017	September 4, 2036

* We will also pay interest on this series of Notes on its maturity date in an amount calculated for the one day period since the last annual interest payment date.

Interest on the Notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes, to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

Optional Redemption

Each series of Notes (other than the 2.750% 2023 Notes) may be redeemed at any time prior to the applicable Par Call Date (as set forth in the table below), as a whole or in part, at our option, at any time and from time to time on at least 30 days', but not more than 60 days' (or, with respect to the 1.950% 2023 Notes, at least 15 days', but not more than 45 days'), prior notice sent to the registered address of each holder of the Notes of such series to be redeemed. The redemption price will be calculated by us and will be equal to the greater of (1) 100% of the principal amount of the Notes of such series to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date, on an annual basis (ACTUAL/ACTUAL (ICMA)), at a rate equal to the Treasury Rate (as defined below) plus a number of basis points equal to the applicable Make-Whole Spread (as set forth in the table below). In the case of each of clauses (1) and (2), accrued interest will be payable to the redemption date. Each series of Notes (other than the 2.750% 2023 Notes) may be redeemed at any time on or after the applicable Par Call Date, as a whole or in part, at our option, at any time and from time to time, on at least 30 days', but not more than 60 days' (or, with respect to the 1.950% 2023 Notes, at least 15 days', but not more than 45 days'), prior notice sent to the registered address of each holder of the Notes of such series, at a redemption price equal to 100% of the principal amount of such series of Notes to be redeemed. Accrued interest will be payable to the redemption date. We will calculate the redemption price in connection with any redemption hereunder.

Series	Par Call Date	Make-Whole Spread
2022 Notes	March 1, 2022	20 bps
1.050% 2023 Notes	August 4, 2023	20 bps
1.300% 2023 Notes	June 5, 2023	20 bps
1.950% 2023 Notes	June 15, 2023	25 bps
1.800% 2026 Notes	June 4, 2026	25 bps
2.350% 2029 Notes	June 4, 2029	35 bps
2.600% 2029 Notes	September 17, 2029	25 bps
2035 Notes	December 15, 2034	25 bps
2036 Notes	June 4, 2036	35 bps

The 2.750% 2023 Notes may be redeemed as a whole or in part, at our option, at any time and from time to time, on at least 30 days', but not more than 60 days', prior notice sent to the registered address of each holder of the 2.750% 2023 Notes. The redemption price will be equal to the greater of (1) 100% of the principal amount of the 2.750% 2023 Notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date, on an annual basis (ACTUAL/ACTUAL (ICMA)), at a rate equal to the Treasury Rate (as defined below) and 25 basis points. In either case, accrued but unpaid interest will be payable to the redemption date. We will calculate the redemption price in connection with any redemption hereunder.

"*Treasury Rate*" means the price, expressed as a percentage (and, with respect to the 2022 Notes, 2.750% 2023 Notes, 1.950% 2023 Notes and 2.600% 2029 Notes, rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield on the Notes of the applicable series, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the applicable Reference Bond (as defined below) on the basis of the middle market price of the Reference Bond prevailing at 11:00 a.m. (London time) on such dealing day as determined by the Company or an investment bank appointed by the Company.

"*Reference Bond*" means, in relation to any Treasury Rate calculation, a German government bond whose maturity is closest to the maturity of the Notes of the applicable series, or if the Company or an investment bank appointed by the Company considers that such similar bond is not in issue, such other German government bond as the Company or an investment bank appointed by the Company, with the advice of three brokers of, and/or market makers in, German government bonds selected by the Company or an investment bank appointed by the Company, determine to be appropriate for determining such Treasury Rate.

"*Remaining Scheduled Payments*" means, with respect to each Note of a series to be redeemed, the remaining scheduled payments of principal of and interest on such Note that would be due after the related redemption date but for the redemption. If that redemption date is not an interest payment date with respect to the applicable series of Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to, but not including, the redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with a paying agent or the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date.

In the case of any partial redemption, selection of the Notes of a series to be redeemed will be made by the trustee by lot or (i) with respect to the 1.050% 2023 Notes, 1.800% 2026 Notes, 2.350% 2029 Notes and 2036 Notes, pursuant to applicable depositary procedures and (ii) with respect to the 2022 Notes, 2.750% 2023 Notes, 1.300% 2023 Notes, 1.950% 2023 Notes, 2.600% 2029 Notes and 2035 Notes, by such other method as the trustee in its sole discretion deems to be fair and appropriate.

Payment of Additional Amounts

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts as are necessary so that the net payment by us or our paying agent of the principal of and interest on the Notes to a person that is a United States Alien, after deduction for any present or future tax, assessment or governmental charge of the United States or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount that would have been payable in respect of the Notes had no withholding or deduction been required. As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

Our obligation to pay additional amounts shall not apply:

(1) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner, or a fiduciary, settlor, beneficiary or member of the beneficial owner if the beneficial owner is an estate, trust or partnership, or a person holding a power over an estate or trust administered by a fiduciary holder:

(a) is or was present or engaged in a trade or business in the United States, has or had a permanent establishment in the United States, or has any other present or former connection with the United States or any political subdivision or taxing authority thereof or therein;

(b) is or was a citizen or resident or is or was treated as a resident of the United States;

(c) is or was a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States or is or was a corporation that has accumulated earnings to avoid United States federal income tax;

(d) is or was a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"); or

(e) is or was an actual or constructive owner of 10% or more of the total combined voting power of all classes of stock of AT&T entitled to vote;

(2) to any holder that is not the sole beneficial owner of the Notes, or a portion thereof, or that is a fiduciary or partnership, but only to the extent that the beneficial owner, a beneficiary or settlor with respect to the fiduciary, or a member of the partnership would not have been entitled to the payment of an additional amount had such beneficial owner, beneficiary, settlor or member received directly its beneficial or distributive share of the payment;

(3) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or governmental charge that is imposed other than by deduction or withholding by AT&T or a paying agent from the payment;

(5) to any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that is announced or becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later;

(6) to an estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or any similar tax, assessment or governmental charge;

(7) to any tax, assessment or other governmental charge any paying agent (which term may include us) must withhold from any payment of principal of or interest on any Note, if such payment can be made without such withholding by any other paying agent; or

(8) in the case of any combination of the above items.

In addition, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable. Except as specifically provided under this heading “—Payment of Additional Amounts” and under the heading “—Redemption Upon a Tax Event,” we do not have to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority.

Any reference in the terms of the Notes of each series to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Redemption Upon a Tax Event

If (a) we become or will become obligated to pay additional amounts with respect to any Notes as described herein under the heading “—Payment of Additional Amounts” as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States (or any political subdivision or taxing authority thereof or therein), or any change in, or amendments to, any official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective, on or after the date set forth in the table below with respect to the relevant series of Notes or (b) a taxing authority of the United States takes an action on or after the date set forth in the table below with respect to the relevant series of Notes, whether or not with respect to us or any of our affiliates, that results in a substantial probability that we will or may be required to pay such additional amounts, then we may, at our option, redeem, as a whole, but not in part, the Notes on any interest payment date on not less than 30 nor more than 60 calendar days’ prior notice, at a redemption price equal to 100% of their principal amount, together with interest accrued thereon to, but not including, the date fixed for redemption. No redemption pursuant to (b) above may be made unless we shall have received an opinion of independent counsel to the effect that an act taken by a taxing authority of the United States results in a substantial probability that we will or may be required to pay the additional amounts described herein under the heading “—Payment of Additional Amounts” and we shall have delivered to the trustee a certificate, signed by a duly authorized officer, stating that based on such opinion we are entitled to redeem the Notes pursuant to their terms.

Series	Relevant Date of Taxation Change
2022 Notes	November 20, 2014
2.750% 2023 Notes	March 21, 2016
1.050% 2023 Notes	February 15, 2018
1.300% 2023 Notes	February 23, 2015
1.950% 2023 Notes	June 5, 2019
1.800% 2026 Notes	February 15, 2018
2.350% 2029 Notes	February 15, 2018
2.600% 2029 Notes	November 20, 2014
2035 Notes	February 23, 2015
2036 Notes	June 7, 2017

Further Issues

We may from time to time, without notice to or the consent of the holders of any series of the Notes, create and issue further notes ranking equally and ratably with such series in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as, and will be fungible for United States federal income tax purposes with, the Notes of the applicable series. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers' certificate pursuant to the Indenture.

Governing Law

The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
- The company we merge into or sell to must agree to be legally responsible for our debt securities.
- The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “— Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Further, we may buy substantially all of the assets of another company without complying with any of the foregoing conditions.

Modification and Waiver of Holders' Contractual Rights

Under certain circumstances, we can make changes to the Indenture and the securities (including the Notes). Some types of changes require the approval of each security holder affected, some require approval by a majority vote, and some changes do not require any approval at all.

Changes Requiring Approval of Holders. First, there are changes that cannot be made to the securities without specific approval of holders. The following is a list of those types of changes:

- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
 - to reduce the rate of interest on any security or change the time for payment of interest;
 - to reduce the principal due on any security or change the fixed maturity of any security;
 - to waive a default in the payment of principal or interest on any security;
 - to change the currency of payment on a security, unless the security provides for payment in a currency that ceases to exist;
-

- in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
- to change the right of holders to waive an existing default by majority vote;
- to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
- to make any change to this list of changes that requires specific approval of holders.

Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except as set forth in the following paragraph. The same vote would be required for us to obtain a waiver of an existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder's individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms, changes to make securities payable in U.S. dollars (if the stated denomination ceases to exist) and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in "street name" and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
- We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
- We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
- We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.

Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an “indemnity”. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and brings such holder's own lawsuit or other formal legal action or take other steps to enforce such holder's rights or protect such holder's interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder's security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder's debt security, however, without such holder's individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders' interest.

Holders who hold in "street name" and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A. is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon Trust Company, N.A. may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

DESCRIPTION OF THE 0.250% GLOBAL NOTES DUE 2026, 1.600% GLOBAL NOTES DUE 2028, THE 0.800% GLOBAL NOTES DUE 2030, THE 2.050% GLOBAL NOTES DUE 2032, THE 2.600% GLOBAL NOTES DUE 2038 AND THE 1.800% GLOBAL NOTES DUE 2039

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of May 15, 2013, with The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Indenture") and the 0.250% Global Notes due 2026 (the "0.250% 2026 Notes"), the 1.600% Global Notes due 2028 (the "2028 Notes"), the 0.800% Global Notes due 2030 (the "2030 Notes"), the 2.050% Global Notes due 2032 (the "2.050% 2032 Notes"), the 2.600% Global Notes due 2038 (the "2038 Notes") and the 1.800% Global Notes due 2039 (the "2039 Notes" and, together with the 0.250% 2026 Notes, the 2028 Notes, the 2030 Notes, the 2.050% 2032 Notes and the 2038 Notes, the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the forms of Notes, which are filed as exhibits to the Form 8-As filed with the Securities and Exchange Commission on September 11, 2019 and May 27, 2020.

General

The 0.250% 2026 Notes:

- were issued in an aggregate initial principal amount of €1,000,000,000, which remains the amount outstanding, subject to our ability to issue additional 0.250% 2026 Notes which may be of the same series as the 0.250% 2026 Notes as described under "— Further Issues";
- mature on March 4, 2026;
- bear interest at the rate of 0.250% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 2028 Notes:

- were issued in an aggregate initial principal amount of €1,750,000,000, which remains the amount outstanding, subject to our ability to issue additional 2028 Notes which may be of the same series as the 2028 Notes as described under "— Further Issues";
- mature on May 19, 2028;
- bear interest at the rate of 1.600% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 2030 Notes:

- were issued in an aggregate initial principal amount of €1,250,000,000, which remains the amount outstanding, subject to our ability to issue additional 2030 Notes which may be of the same series as the 2030 Notes as described under "— Further Issues";
 - mature on March 4, 2030;
-

- bear interest at the rate of 0.800% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 2.050% 2032 Notes:

- were issued in an aggregate initial principal amount of €750,000,000, which remains the amount outstanding, subject to our ability to issue additional 2.050% 2032 Notes which may be of the same series as the 2.050% 2032 Notes as described under “— Further Issues”;
- mature on May 19, 2032;
- bear interest at the rate of 2.050% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 2038 Notes:

- were issued in an aggregate initial principal amount of €500,000,000, which remains the amount outstanding, subject to our ability to issue additional 2038 Notes which may be of the same series as the 2038 Notes as described under “— Further Issues”;
- mature on May 19, 2038;
- bear interest at the rate of 2.600% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The 2039 Notes:

- were issued in an aggregate initial principal amount of €750,000,000, which remains the amount outstanding, subject to our ability to issue additional 2039 Notes which may be of the same series as the 2039 Notes as described under “— Further Issues”;
 - mature on September 14, 2039;
 - bear interest at the rate of 1.800% per annum, payable annually in arrears;
 - are repayable at par at maturity;
-

- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The Notes are unsecured and unsubordinated obligations and rank *pari passu* with all other indebtedness issued under our Indenture. Each series of Notes constitutes a separate series under the Indenture. The Notes are issued in fully registered form only and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Principal and interest payments on the Notes are payable by us in euro. Payments of principal, interest and additional amounts, if any, in respect of the Notes will be made to Euroclear System, Clearstream Banking S.A. or such nominee or common depository, as the case may be, as registered holder thereof. Under the terms of the Indenture, if the euro ceases to exist when payments on the Notes are due under any circumstances, AT&T may supplement the Indenture to allow for payment in U.S. dollars. The principal and interest payable in U.S. dollars on a Note at maturity, or upon redemption, will be paid by wire transfer of immediately available funds against presentation of a Note at the office of the paying agent.

For purposes of the Notes, a business day means any day that is not a Saturday or Sunday and that, in the City of New York or the City of London, is not a day on which banking institutions are generally authorized or obligated by law to close.

Interest

The 0.250% 2026 Notes bear interest at the rate of 0.250% per annum, the 2028 Notes bear interest at the rate of 1.600% per annum, the 2030 Notes bear interest at the rate of 0.800% per annum, the 2.050% 2032 Notes bear interest at the rate of 2.050% per annum, the 2038 Notes bear interest at the rate of 2.600% per annum and the 2039 Notes bear interest at the rate of 1.800% per annum.

We pay interest on the 0.250% 2026 Notes and the 2030 Notes annually in arrears on each March 4, commencing on March 4, 2020, to the persons in whose names the 0.250% 2026 Notes and the 2030 Notes are registered at the close of business on the business day preceding the interest payment date. We pay interest on the 2028 Notes, the 2.050% 2032 Notes and the 2038 Notes annually in arrears on each May 19, commencing on May 19, 2021, to the persons in whose names the 2028 Notes, the 2.050% 2032 Notes and the 2038 Notes are registered at the close of business on the business day preceding the interest payment date. We pay interest on the 2039 Notes annually in arrears on each September 14, commencing on September 14, 2020, to the persons in whose names the 2039 Notes are registered at the close of business on the business day preceding the interest payment date.

The 0.250% 2026 Notes will mature on March 4, 2026, the 2028 Notes will mature on May 19, 2028, the 2030 Notes will mature on March 4, 2030, the 2.050% 2032 Notes will mature on May 19, 2032, the 2038 Notes will mature on May 19, 2038 and the 2039 Notes will mature on September 14, 2039.

Interest on the Notes will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes (or September 11, 2019 with respect to the 0.250% 2026 Notes, the 2030 Notes and 2039 Notes and May 27, 2020 with respect to the 2028 Notes, the 2.050% 2032 Notes and the 2038 Notes, if no interest has been paid on the Notes), to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

Because the first payment of interest on the 2039 Notes is more than one year from the issue date of the 2039 Notes, the 2039 Notes will be treated for U.S. federal income tax purposes as issued with original issue discount (“OID”) in an amount equal to the excess of the principal amount and interest payments on the 2039 Notes over the issue price for the 2039 Notes. Accordingly, United States holders of the 2039 Notes will generally be required to accrue such OID for U.S. tax purposes on a constant yield basis over the term of the 2039 Notes even if the holder is otherwise subject to the cash basis method of tax accounting. Such holders, however, will generally not be required to include the stated interest payments on the 2039 Notes in income for U.S. tax purposes.

Optional Redemption

At any time prior to the applicable Par Call Date (as set forth in the table below), (i) the 0.250% 2026 Notes, the 2030 Notes and the 2039 Notes may be redeemed, as a whole or in part, at our option, at any time and from time to time, on at least 30 days’, but not more than 60 days’, prior notice sent to the registered address of each holder of the Notes of such series to be redeemed, and (ii) the 2028 Notes, the 2.050% 2032 Notes and the 2038

Notes may be redeemed, as a whole or in part, at our option, at any time and from time to time, on at least 10 days', but not more than 40 days', prior notice sent to the registered address of each holder of the Notes of such series to be redeemed. In each case, the redemption price will be calculated by us and will be equal to the greater of (1) 100% of the principal amount of the Notes of such series to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date, on an annual basis (ACTUAL/ACTUAL (ICMA)), at a rate equal to the Treasury Rate (as defined below) plus a number of basis points equal to the applicable Make-Whole Spread (as set forth in the table below). In the case of each of clauses (1) and (2), accrued interest will be payable to the redemption date. At any time on or after the applicable Par Call Date (as set forth in the table below), (i) the 0.250% 2026 Notes, the 2030 Notes and the 2039 Notes may be redeemed, as a whole or in part, at our option, at any time and from time to time, on at least 30 days', but not more than 60 days', prior notice sent to the registered address of each holder of the Notes of such series to be redeemed, and (ii) the 2028 Notes, the 2.050% 2032 Notes and the 2038 Notes may be redeemed, as a whole or in part, at our option, at any time and from time to time, on at least 10 days', but not more than 40 days', prior notice sent to the registered address of each holder of the Notes of such series to be redeemed, in each case, at a redemption price equal to 100% of the principal amount of such series of Notes to be redeemed. Accrued interest will be payable to the redemption date.

Series	Par Call Date	Make-Whole Spread
0.250% 2026 Notes	February 4, 2026	20 bps
2028 Notes	February 19, 2028	35 bps
2030 Notes	December 4, 2029	25 bps
2.050% 2032 Notes	February 19, 2032	40 bps
2038 Notes	November 19, 2037	45 bps
2039 Notes	March 14, 2039	35 bps

“Treasury Rate” means the price, expressed as a percentage, at which the gross redemption yield on the Notes of the applicable series, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the applicable Reference Bond (as defined below) on the basis of the middle market price of the Reference Bond prevailing at 11:00 a.m. (London time) on such dealing day as determined by the Company or an investment bank appointed by the Company.

“Reference Bond” means, in relation to any Treasury Rate calculation, a German government bond whose maturity is closest to the maturity of the Notes of the applicable series, or if the Company or an investment bank appointed by the Company considers that such similar bond is not in issue, such other German government bond as the Company or an investment bank appointed by the Company, with the advice of three brokers of, and/or market makers in, German government bonds selected by the Company or an investment bank appointed by the Company, determine to be appropriate for determining such Treasury Rate.

“Remaining Scheduled Payments” means, with respect to each Note of a series to be redeemed, the remaining scheduled payments of principal and interest on such Note that, but for the redemption, would be due after the related redemption date through the applicable Par Call Date, assuming the applicable series of Notes matured on the Par Call Date (not including any portion of payments of interest accrued as of the redemption date). If that redemption date is not an interest payment date with respect to the applicable series of Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to the redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with our paying agent or the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date.

In the case of any partial redemption, selection of the Notes of a series to be redeemed will be made by the trustee by lot or pursuant to applicable depositary procedures.

Payment of Additional Amounts

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts as are necessary so that the net payment by us or our paying agent of the principal of and interest on the Notes to a person that is a United States Alien, after deduction for any present or future tax, assessment or governmental charge of the United States or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount that would have been payable in respect of the Notes had no withholding or deduction been required. As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

Our obligation to pay additional amounts shall not apply:

(1) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner, or a fiduciary, settlor, beneficiary or member of the beneficial owner if the beneficial owner is an estate, trust or partnership, or a person holding a power over an estate or trust administered by a fiduciary holder:

(a) is or was present or engaged in a trade or business in the United States, has or had a permanent establishment in the United States, or has any other present or former connection with the United States or any political subdivision or taxing authority thereof or therein;

(b) is or was a citizen or resident or is or was treated as a resident of the United States;

(c) is or was a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States or is or was a corporation that has accumulated earnings to avoid United States federal income tax;

(d) is or was a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"); or

(e) is or was an actual or constructive owner of 10% or more of the total combined voting power of all classes of stock of AT&T entitled to vote;

(2) to any holder that is not the sole beneficial owner of the Notes, or a portion thereof, or that is a fiduciary or partnership, but only to the extent that the beneficial owner, a beneficiary or settlor with respect to the fiduciary, or a member of the partnership would not have been entitled to the payment of an additional amount had such beneficial owner, beneficiary, settlor or member received directly its beneficial or distributive share of the payment;

(3) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or governmental charge that is imposed other than by deduction or withholding by AT&T or a paying agent from the payment;

(5) to any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that is announced or becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later;

(6) to an estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or any similar tax, assessment or governmental charge;

(7) to any tax, assessment or other governmental charge any paying agent (which term may include us) must withhold from any payment of principal of or interest on any Note, if such payment can be made without such withholding by any other paying agent; or

(8) in the case of any combination of the above items.

In addition, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable. Except as specifically provided under this heading “— Payment of Additional Amounts” and under the heading “— Redemption Upon a Tax Event,” we do not have to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority.

Any reference in the terms of the Notes of each series to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Redemption Upon a Tax Event

If (a) we become or will become obligated to pay additional amounts with respect to any Notes as described herein under the heading “— Payment of Additional Amounts” as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States (or any political subdivision or taxing authority thereof or therein), or any change in, or amendments to, any official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective, on or after the date set forth in the table below with respect to the relevant series of Notes or (b) a taxing authority of the United States takes an action on or after the date set forth in the table below with respect to the relevant series of Notes, whether or not with respect to us or any of our affiliates, that results in a substantial probability that we will or may be required to pay such additional amounts, then we may, at our option, redeem, as a whole, but not in part, the Notes on any interest payment date on not less than 30 nor more than 60 calendar days’ prior notice with respect to the 0.250% 2026 Notes, the 2030 Notes, and the 2039 Notes and not less than 10 nor more than 40 calendar days’ prior notice with respect to the 2028 Notes, the 2.050% 2032 Notes and the 2038 Notes, at a redemption price equal to 100% of their principal amount, together with interest accrued thereon to the date fixed for redemption. No redemption pursuant to (b) above may be made unless we shall have received an opinion of independent counsel to the effect that an act taken by a taxing authority of the United States results in a substantial probability that we will or may be required to pay the additional amounts described herein under the heading “— Payment of Additional Amounts” and we shall have delivered to the trustee a certificate, signed by a duly authorized officer, stating that based on such opinion we are entitled to redeem the Notes pursuant to their terms.

Series	Relevant Date of Taxation Change
0.250% 2026 Notes	September 4, 2019
2028 Notes	May 19, 2020
2030 Notes	September 4, 2019
2.050% 2032 Notes	May 19, 2020
2038 Notes	May 19, 2020
2039 Notes	September 4, 2019

Further Issues

We may from time to time, without notice to or the consent of the holders of any series of the Notes, create and issue further notes ranking equally and ratably with such series in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as, and will be fungible for United States federal income tax purposes with, the Notes of the applicable series. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers’ certificate pursuant to the Indenture.

Governing Law

The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
- The company we merge into or sell to must agree to be legally responsible for our debt securities.
- The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “— Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Further, we may buy substantially all of the assets of another company without complying with any of the foregoing conditions.

Modification and Waiver of Holders’ Contractual Rights

Under certain circumstances, we can make changes to the Indenture and the securities (including the Notes). Some types of changes require the approval of each security holder affected, some require approval by a majority vote, and some changes do not require any approval at all.

Changes Requiring Approval of Holders. First, there are changes that cannot be made to the securities without specific approval of holders. The following is a list of those types of changes:

- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
 - to reduce the rate of interest on any security or change the time for payment of interest;
 - to reduce the principal due on any security or change the fixed maturity of any security;
 - to waive a default in the payment of principal or interest on any security;
 - to change the currency of payment on a security, unless the security provides for payment in a currency that ceases to exist;
 - in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
 - to change the right of holders to waive an existing default by majority vote;
 - to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
 - to make any change to this list of changes that requires specific approval of holders.
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Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except as set forth in the following paragraph. The same vote would be required for us to obtain a waiver of an existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder's individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms, changes to make securities payable in U.S. dollars (if the stated denomination ceases to exist) and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in "street name" and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
- We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
- We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
- We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.

Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an “indemnity”. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and brings such holder’s own lawsuit or other formal legal action or take other steps to enforce such holder’s rights or protect such holder’s interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder's security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder's debt security, however, without such holder's individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders' interest.

Holders who hold in "street name" and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A. is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon Trust Company, N.A. may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

DESCRIPTION OF THE 4.000% GLOBAL NOTES DUE 2049, THE 4.250% GLOBAL NOTES DUE 2050 AND THE 3.750% GLOBAL NOTES DUE 2050

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of May 15, 2013, with The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Indenture") and the 4.000% Global Notes due 2049 (the "2049 Notes"), the 4.250% Global Notes due 2050 (the "4.250% 2050 Notes") and the 3.750% Global Notes due 2050 (the "3.750% 2050 Notes" and, together with the 2049 Notes and the 4.250% 2050 Notes, the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the forms of Notes, which are filed as exhibits to the Form 8-As filed with the Securities and Exchange Commission on February 27, 2020, December 12, 2019 and June 24, 2020.

General

The 2049 Notes:

- were issued in an aggregate initial principal amount of \$2,995,000,000, which remains the amount outstanding, subject to our ability to issue additional 2049 Notes which may be of the same series as the 2049 Notes as described under "— Further Issues";
- mature on June 1, 2049;
- bear interest at the rate of 4.000% per annum, payable semiannually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 4.250% 2050 Notes:

- were issued in an aggregate initial principal amount of \$1,265,000,000, which remains the amount outstanding, subject to our ability to issue additional 4.250% 2050 Notes which may be of the same series as the 4.250% 2050 Notes as described under "— Further Issues";
- mature on March 1, 2050;
- bear interest at the rate of 4.250% per annum, payable semiannually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 3.750% 2050 Notes:

- were issued in an aggregate initial principal amount of \$1,050,000,000, which remains the amount outstanding, subject to our ability to issue additional 3.750% 2050 Notes which may be of the same series as the 3.750% 2050 Notes as described under "— Further Issues";
 - mature on September 1, 2050;
 - bear interest at the rate of 3.750% per annum, payable semiannually in arrears;
-

- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The Notes are unsecured and unsubordinated obligations and rank *pari passu* with all other indebtedness issued under our Indenture. Each series of Notes constitutes a separate series under the Indenture. The Notes are issued in fully registered form only and in minimum denominations of \$100,000 and integral multiples of \$1,000 thereafter. Principal and interest payments on the Notes registered in the name of the depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner.

For purposes of the Notes, a business day means a business day in The City of New York and Taipei, Taiwan.

Interest

The 2049 Notes bear interest at the rate of 4.000% per annum, the 4.250% 2050 Notes bear interest at the rate of 4.250% per annum and the 3.750% 2050 Notes bear interest at the rate of 3.750% per annum.

We pay interest on the 2049 Notes in arrears on each June 1 and December 1, commencing on June 1, 2020, to the persons in whose names the 2049 Notes are registered at the close of business on the fifteenth day preceding the interest payment date. We pay interest on the 4.250% 2050 Notes in arrears on each March 1 and September 1, commencing on March 1, 2020, to the persons in whose names the 4.250% 2050 Notes are registered at the close of business on the fifteenth day preceding the interest payment date. We pay interest on the 3.750% 2050 Notes in arrears on each March 1 and September 1, commencing on September 1, 2020, to the persons in whose names the 3.750% 2050 Notes are registered at the close of business on the fifteenth day preceding the interest payment date.

The 2049 Notes will mature on June 1, 2049, the 4.250% 2050 Notes will mature on March 1, 2050 and the 3.750% 2050 Notes will mature on September 1, 2050.

Interest on the Notes is computed on the basis of the number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes, to but excluding the next scheduled interest payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months). This payment convention is referred to as 30/360.

Optional Redemption

We have the option to redeem all, but not less than all, of each series of the Notes then outstanding on the applicable Redemption Date (as set forth in the table below). In addition, on the first Redemption Date on which we opt to redeem any series of the Notes, we also have the option to instead only redeem 50% of the aggregate principal amount of such series of Notes then outstanding. If we opt to redeem 50% of the aggregate principal amount of a series of the Notes then outstanding on a Redemption Date, any remaining Notes of such series can be redeemed at our option on a future Redemption Date in whole but not in part. Any redemption described in this paragraph must be on not less than 10 nor more than 40 days' notice and will be at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest to the date of redemption. We will calculate the redemption price in connection with any redemption hereunder.

Series	Redemption Date
2049 Notes	Each June 1 on or after June 1, 2025
4.250% 2050 Notes	Each March 1 on or after March 1, 2025
3.750% 2050 Notes	Each September 1 on or after September 1, 2025

On and after the redemption date, interest will cease to accrue on the Notes or the portion of the Notes called for redemption unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with our paying agent or the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date.

If less than all of any series of the Notes are to be redeemed, the Notes to be redeemed shall be selected pro rata or in accordance with applicable depositary procedures.

Payment of Additional Amounts

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts as are necessary so that the net payment by us or our paying agent of the principal of and interest on the Notes to a person that is a United States Alien, after deduction for any present or future tax, assessment or governmental charge of the United States or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount that would have been payable in respect of the Notes had no withholding or deduction been required. As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

Our obligation to pay additional amounts shall not apply:

(1) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner, or a fiduciary, settlor, beneficiary or member of the beneficial owner if the beneficial owner is an estate, trust or partnership, or a person holding a power over an estate or trust administered by a fiduciary holder:

(a) is or was present or engaged in a trade or business in the United States, has or had a permanent establishment in the United States, or has any other present or former connection with the United States or any political subdivision or taxing authority thereof or therein;

(b) is or was a citizen or resident or is or was treated as a resident of the United States;

(c) is or was a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States or is or was a corporation that has accumulated earnings to avoid United States federal income tax;

(d) is or was a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"); or

(e) is or was an actual or constructive owner of 10% or more of the total combined voting power of all classes of stock of AT&T entitled to vote;

(2) to any holder that is not the sole beneficial owner of the Notes, or a portion thereof, or that is a fiduciary or partnership, but only to the extent that the beneficial owner, a beneficiary or settlor with respect

to the fiduciary, or a member of the partnership would not have been entitled to the payment of an additional amount had such beneficial owner, beneficiary, settlor or member received directly its beneficial or distributive share of the payment;

(3) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or governmental charge that is imposed other than by deduction or withholding by AT&T or a paying agent from the payment;

(5) to any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that is announced or becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later;

(6) to an estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or any similar tax, assessment or governmental charge;

(7) to any tax, assessment or other governmental charge any paying agent (which term may include us) must withhold from any payment of principal of or interest on any Note, if such payment can be made without such withholding by any other paying agent; or

(8) in the case of any combination of the above items.

In addition, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable. Except as specifically provided under this heading “—Payment of Additional Amounts” and under the heading “—Redemption Upon a Tax Event,” we do not have to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority.

Any reference in the terms of the Notes of each series to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Redemption Upon a Tax Event

If (a) we become or will become obligated to pay additional amounts with respect to any Notes as described herein under the heading “—Payment of Additional Amounts” as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States (or any political subdivision or taxing authority thereof or therein), or any change in, or amendments to, any official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective, on or after the date set forth in the table below with respect to the relevant series of Notes or (b) a taxing authority of the United States takes an action on or after the date set forth in the table below with respect to the relevant series of Notes, whether or not with respect to us or any of our affiliates, that results in a substantial probability that we will or may be required to pay such additional amounts, then we may, at our option, redeem, as a whole, but not in part, the Notes on any interest payment date on not less than 10 nor more than 40 calendar days’ prior notice, at a redemption price equal to 100% of their principal amount, together with interest accrued thereon to the date fixed for redemption. No redemption pursuant to (b) above may be made unless we shall have received an opinion of independent counsel to the effect that an act taken by a taxing authority of the United States results in a substantial probability that we will or may be required to pay the additional amounts described herein under the heading “—Payment of Additional Amounts” and we shall have delivered to the trustee a certificate, signed by a duly authorized officer, stating that based on such opinion we are entitled to redeem the Notes pursuant to their terms.

Series	Relevant Date of Taxation Change
2049 Notes	February 13, 2020
4.250% 2050 Notes	December 12, 2019
3.750% 2050 Notes	June 16, 2020

Further Issues

We may from time to time, without notice to or the consent of the holders of any series of the Notes, create and issue further notes ranking equally and ratably with such Notes in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise, and, to the extent permitted by applicable authorities in the Republic of China and subject to the receipt of all necessary regulatory and listing approvals from such authorities, including but not limited to the Taipei Exchange and the Taiwan Securities Association, will be fungible for United States federal income tax purposes with the Notes of the applicable series. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers' certificate pursuant to the Indenture.

Notices

Notices to holders of the Notes will be given only to the depositary, in accordance with its applicable policies as in effect from time to time.

Prescription Period

Any money that we deposit with the trustee or any paying agent for the payment of principal or any interest on a Note that remains unclaimed for two years after the date upon which the principal and interest are due and payable will be repaid to us upon our request unless otherwise required by mandatory provisions of any applicable unclaimed property law. After that time, unless otherwise required by mandatory provisions of any unclaimed property law, the holder of the Note will be able to seek any payment to which that holder may be entitled to collect only from us.

Governing Law

The Notes are governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
- The company we merge into or sell to must agree to be legally responsible for our debt securities.
- The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “— Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Further, we may buy substantially all of the assets of another company without complying with any of the foregoing conditions.

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- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
- to reduce the rate of interest on any security or change the time for payment of interest;
- to reduce the principal due on any security or change the fixed maturity of any security;
- to waive a default in the payment of principal or interest on any security;
- to change the currency of payment on a security, unless the security provides for payment in a currency that ceases to exist;
- in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
- to change the right of holders to waive an existing default by majority vote;
- to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
- to make any change to this list of changes that requires specific approval of holders.

Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except as set forth in the following paragraph. The same vote would be required for us to obtain a waiver of an existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder's individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms, changes to make securities payable in U.S. dollars (if the stated denomination ceases to exist) and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in “street name” and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
- We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
- We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
- We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.

Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an "indemnity". If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and brings such holder's own lawsuit or other formal legal action or take other steps to enforce such holder's rights or protect such holder's interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder's security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder's debt security, however, without such holder's individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders' interest.

Holders who hold in "street name" and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A. is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon Trust Company, N.A. may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

DESCRIPTION OF THE 5.350% GLOBAL NOTES DUE 2066 AND THE 5.625% GLOBAL NOTES DUE 2067

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of May 15, 2013, with The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Indenture") and the 5.350% Global Notes due 2066 (the "2066 Notes") and 5.625% Global Notes due 2067 (the "2067 Notes") and, together with the 2066 Notes, the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the forms of Notes, which are filed as exhibits to the Form 8-As filed with the Securities and Exchange Commission on October 27, 2017 and August 1, 2018.

General

The 2066 Notes:

- were issued in an aggregate initial principal amount of \$1,322,500,000, which remains the amount outstanding, subject to our ability to issue additional 2066 Notes which may be of the same series as the 2066 Notes as described under "— Further Issues";
- mature on November 1, 2066;
- bear interest at the rate of 5.350% per annum, payable quarterly in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 2067 Notes:

- were issued in an aggregate initial principal amount of \$825,000,000, which remains the amount outstanding, subject to our ability to issue additional 2067 Notes which may be of the same series as the 2067 Notes as described under "— Further Issues";
- mature on August 1, 2067;
- bear interest at the rate of 5.625% per annum, payable quarterly in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The Notes are unsecured and unsubordinated obligations and rank pari passu with all other indebtedness issued under our Indenture. Each series of Notes constitutes a separate series under the Indenture. The Notes are issued in fully registered form only and in minimum denominations of \$25 and integral multiples of \$25 thereafter. Principal and interest payments on the Notes registered in the name of the depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the global notes.

For purposes of the Notes, a business day means a business day in the City of New York.

Interest

The 2066 Notes bear interest at the rate of 5.350% per annum and the 2067 Notes bear interest at the rate of 5.625% per annum.

We pay interest on the 2066 Notes and the 2067 Notes in arrears on each February 1, May 1, August 1 and November 1, commencing on February 1, 2018 with respect to the 2066 Notes and commencing on November 1, 2018 with respect to the 2067 Notes, to the persons in whose names the Notes are registered at the close of business on the fifteenth day preceding the respective interest payment date.

The 2066 Notes will mature on November 1, 2066 and the 2067 Notes will mature on August 1, 2067.

Optional Redemption

We may, at our option, redeem the 2066 Notes, in whole or in part, at any time and from time to time on or after November 1, 2022, and redeem the 2067 Notes, in whole or in part, at any time and from time to time on or after August 1, 2023, in each case, on at least 30 days', but not more than 60 days', prior notice mailed (or otherwise transmitted in accordance with The Depository Trust Company ("DTC") procedures) to the registered address of each holder of the Notes to be redeemed. The redemption price will be equal to 100% of the principal amount of the Notes to be redeemed plus accrued but unpaid interest to, but excluding, the redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption, unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with our paying agent or the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date. In the case of any partial redemption, selection of the Notes of a series to be redeemed will be made in accordance with applicable procedures of DTC.

Payment of Additional Amounts

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts as are necessary so that the net payment by us or our paying agent of the principal of and interest on the Notes to a person that is a United States Alien, after deduction for any present or future tax, assessment or governmental charge of the United States or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount that would have been payable in respect of the Notes had no withholding or deduction been required. As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

Our obligation to pay additional amounts shall not apply:

(1) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner, or a fiduciary, settlor, beneficiary or member of the beneficial owner if the beneficial owner is an estate, trust or partnership, or a person holding a power over an estate or trust administered by a fiduciary holder:

(a) is or was present or engaged in a trade or business in the United States, has or had a permanent establishment in the United States, or has any other present or former connection with the United States or any political subdivision or taxing authority thereof or therein;

(b) is or was a citizen or resident or is or was treated as a resident of the United States;

(c) is or was a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States or is or was a corporation that has accumulated earnings to avoid United States federal income tax;

(d) is or was a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"); or

(e) is or was an actual or constructive owner of 10% or more of the total combined voting power of all classes of stock of AT&T entitled to vote;

(2) to any holder that is not the sole beneficial owner of the Notes, or a portion thereof, or that is a fiduciary or partnership, but only to the extent that the beneficial owner, a beneficiary or settlor with respect to the fiduciary, or a member of the partnership would not have been entitled to the payment of an additional amount had such beneficial owner, beneficiary, settlor or member received directly its beneficial or distributive share of the payment;

(3) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or governmental charge that is imposed other than by deduction or withholding by AT&T or a paying agent from the payment;

(5) to any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that is announced or becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later;

(6) to an estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or any similar tax, assessment or governmental charge;

(7) to any tax, assessment or other governmental charge any paying agent (which term may include us) must withhold from any payment of principal of or interest on any Note, if such payment can be made without such withholding by any other paying agent; or

(8) in the case of any combination of the above items.

In addition, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable. Except as specifically provided under this heading “— Payment of Additional Amounts” and under the heading “— Redemption Upon a Tax Event,” we do not have to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority.

Any reference in the terms of the Notes of each series to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Redemption Upon a Tax Event

If (a) we become or will become obligated to pay additional amounts with respect to any Notes as described herein under the heading “— Payment of Additional Amounts” as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States (or any political subdivision or taxing authority thereof or therein), or any change in, or amendments to, any official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective, on or after October 25, 2017 with respect to the 2066 Notes or on or after July 25, 2018 with respect to the 2067 Notes or (b) a taxing authority of the United States takes an action on or after October 25, 2017 with respect to the 2066 Notes or on or after July 25, 2018 with respect to the 2067 Notes, whether or not with respect to us or any of our affiliates, that results in a substantial probability that we will or may be required to pay such additional amounts, then we may, at our option, redeem, as a whole, but not in part, the applicable series of Notes on any interest payment date on not less than 30 nor more than 60 calendar days’ prior notice, at a redemption price equal to 100% of their principal amount, together with interest accrued thereon to the date fixed for

redemption. No redemption pursuant to (b) above may be made unless we shall have received an opinion of independent counsel to the effect that an act taken by a taxing authority of the United States results in a substantial probability that we will or may be required to pay the additional amounts described herein under the heading “— Payment of Additional Amounts” and we shall have delivered to the trustee a certificate, signed by a duly authorized officer, stating that based on such opinion we are entitled to redeem the Notes pursuant to their terms.

Further Issues

We may from time to time, without notice to or the consent of the holders of any series of the Notes, create and issue further notes ranking equally and ratably with such series in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as, and will be fungible for United States federal income tax purposes with, the Notes of the applicable series. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers’ certificate pursuant to the Indenture.

Notices

Notices to holders of the Notes will be given only to the depositary, in accordance with its applicable policies as in effect from time to time.

Prescription Period

Any money that we deposit with the trustee or any paying agent for the payment of principal or any interest on any global note of any series that remains unclaimed for two years after the date upon which the principal and interest are due and payable will be repaid to us upon our request unless otherwise required by mandatory provisions of any applicable unclaimed property law. After that time, unless otherwise required by mandatory provisions of any unclaimed property law, the holder of the global note will be able to seek any payment to which that holder may be entitled to collect only from us.

Governing Law

The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
- The company we merge into or sell to must agree to be legally responsible for our debt securities.
- The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “— Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Further, we may buy substantially all of the assets of another company without complying with any of the foregoing conditions.

Modification and Waiver of Holders' Contractual Rights

Under certain circumstances, we can make changes to the Indenture and the securities (including the Notes). Some types of changes require the approval of each security holder affected, some require approval by a majority vote, and some changes do not require any approval at all.

Changes Requiring Approval of Holders. First, there are changes that cannot be made to the securities without specific approval of holders. The following is a list of those types of changes:

- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
- to reduce the rate of interest on any security or change the time for payment of interest;
- to reduce the principal due on any security or change the fixed maturity of any security;
- to waive a default in the payment of principal or interest on any security;
- to change the currency of payment on a security, unless the security provides for payment in a currency that ceases to exist;
- in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
- to change the right of holders to waive an existing default by majority vote;
- to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
- to make any change to this list of changes that requires specific approval of holders.

Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except as set forth in the following paragraph. The same vote would be required for us to obtain a waiver of an existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder's individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms, changes to make securities payable in U.S. dollars (if the stated denomination ceases to exist) and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in "street name" and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
- We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
- We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
- We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.

Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of

maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an "indemnity". If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and brings such holder's own lawsuit or other formal legal action or take other steps to enforce such holder's rights or protect such holder's interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder's security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder's debt security, however, without such holder's individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders' interest.

Holders who hold in "street name" and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A. is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon Trust Company, N.A. may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

DESCRIPTION OF THE 7.000% GLOBAL NOTES DUE 2040 AND THE 4.875% GLOBAL NOTES DUE 2044

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of November 1, 1994, with The Bank of New York Mellon, acting as trustee (the "Indenture") and the 7.000% Global Notes due 2040 (the "2040 Notes") and the 4.875% Global Notes due 2044 (the "2044 Notes" and, together with the 2040 Notes, the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the forms of Notes, which are filed as exhibits to the Form 8-As filed with the Securities and Exchange Commission on May 1, 2009 and May 30, 2012.

General

The 2040 Notes:

- were issued in an aggregate initial principal amount of £1,100,000,000, which remains the amount outstanding, subject to our ability to issue additional 2040 Notes which may be of the same series as the 2040 Notes as described under "— Further Issues";
- mature on April 30, 2040;
- bear interest at the rate of 7.000% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 2044 Notes:

- were issued in an aggregate initial principal amount of £1,250,000,000, which remains the amount outstanding, subject to our ability to issue additional 2044 Notes which may be of the same series as the 2044 Notes as described under "— Further Issues";
- mature on June 1, 2044;
- bear interest at the rate of 4.875% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The Notes are unsecured and unsubordinated obligations and rank *pari passu* with all other indebtedness issued under our Indenture. Each series of Notes constitutes a separate series under the Indenture. The Notes are issued in fully registered form only and (i) with respect to the 2040 Notes, in minimum denominations of £50,000 and integral multiples of £50,000 thereafter and (ii) with respect to the 2044 Notes, in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. Principal and interest payments of the Notes are payable by us in pound sterling. Payments of principal, interest and additional amounts, if any, in respect of the Notes will be made to the Depository Trust Company, Euroclear System, Clearstream Banking S.A. or such nominee or common depository, as the case may be, as registered holder thereof.

For purposes of the 2040 Notes, a business day means any day other than a Saturday or Sunday or a day on which banking institutions in the City of New York or the City of London are authorized or required by law or executive order to close.

For purposes of the 2044 Notes, a business day means a business day in the City of New York and London.

Interest

The 2040 Notes bear interest at the rate of 7.000% per annum and the 2044 Notes bear interest at the rate of 4.875% per annum.

We pay interest on the 2040 Notes annually in arrears on April 30, commencing on April 30, 2010, to the persons in whose names our 2040 Notes are registered at the close of business on the April 15 preceding each interest payment date. We pay interest on the 2044 Notes annually in arrears on June 1, commencing on June 1, 2013, to the persons in whose names the 2044 Notes are registered at the close of business on the May 15 preceding the interest payment date.

The 2040 Notes mature on April 30, 2040 and the 2044 Notes will mature on June 1, 2044.

Interest on the Notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes, to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

Optional Redemption of the Notes

The Notes of each series will be redeemable, as a whole or in part, at our option, at any time and from time to time on at least 30 days', but not more than 60 days', prior notice mailed to the registered address of each holder of the Notes of that series. The redemption price will be equal to the greater of (1) 100% of the principal amount of the Notes of that series to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date, on an annual basis (actual/actual (ICMA)), at a rate equal to the Treasury Rate (as defined below) and 25 basis points for each series of the Notes. In either case, accrued interest will be payable to the redemption date.

"Treasury Rate" means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield (as calculated by the trustee) on the Notes of the applicable series, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the Reference Bond (as defined below) on the basis of the middle market price of the Reference Bond prevailing at 11:00 a.m. (London time) on such dealing day as determined by the trustee.

"Reference Bond" means, in relation to any Treasury Rate calculation, at the discretion of the trustee, a United Kingdom government bond whose maturity is closest to the maturity of the Notes of the applicable series, or if the trustee in its discretion considers that such similar bond is not in issue, such other United Kingdom government bond as the trustee may, with the advice of three brokers of, and/or market makers in, United Kingdom government bonds selected by the trustee, determine to be appropriate for determining the Treasury Rate.

"Remaining Scheduled Payments" means, with respect to each Note of a series to be redeemed, the remaining scheduled payments of principal of and interest on the Note that would be due after the related redemption date but for the redemption. If that redemption date is not an interest payment date with respect to the applicable series of Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to the redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with a paying agent or the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date.

In the case of any partial redemption, selection of the Notes of a series will be made by the trustee by lot or by such other method as the trustee in its sole discretion deems to be fair and appropriate.

Redemption for Taxation Reasons

If (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined below under "Interpretation"), or any change in the official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after April 24, 2009 with respect to the 2040

Notes and May 22, 2012 with respect to the 2044 Notes, on the next Interest Payment Date we would be required to pay additional amounts as provided or referred to below under “— Payment Without Withholding” and (b) the requirement cannot be avoided by our taking reasonable measures available to us, we may at our option, having given not less than 30 nor more than 60 days’ notice to the holders of Notes of each applicable series (which notice shall be irrevocable), redeem all, but not a portion of, the applicable series of Notes at any time at their principal amount together with interest accrued to, but excluding, the date of redemption provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which we would be obliged to pay such additional amounts were a payment in respect of the applicable series of Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, we shall deliver to the trustee a certificate signed by two of our executive officers stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and setting forth a statement of facts showing that the conditions precedent to the right of AT&T so to redeem have occurred, cannot be avoided by us taking reasonable measures available to us and an opinion of independent legal advisers of recognized international standing to the effect that AT&T has or will become obliged to pay such additional amounts as a result of the change or amendment, in each case to be held by the trustee and made available for viewing at the offices of the trustee on request by any holder of each applicable series of Notes.

Payment Without Withholding

All payments in respect of the Notes by or on behalf of AT&T shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed, collected, withheld, assessed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, we will pay such additional amounts to a holder who is a United States Alien (as defined below) as may be necessary in order that the net amounts received by the holder after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of each applicable series of the Notes in the absence of the withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Note:

(a) where such withholding or deduction would not have been so imposed but for:

(i) in the case of payment by AT&T, the existence of any present or former connection between the holder of the Note (or between a fiduciary, settlor, shareholder, beneficiary or member of the holder of the Note, if such holder is an estate, a trust, a corporation or a partnership) and the United States, including, without limitation, such holder (or such fiduciary, settlor, shareholder, beneficiary or member) being or having been a citizen or resident or treated as a resident thereof, or being or having been engaged in trade or business or presence therein, or having or having had a permanent establishment therein;

(ii) in the case of payment by AT&T, the present or former status of the holder of the Note as a personal holding company, a foreign personal holding company, a passive foreign investment company, or a controlled foreign corporation for United States federal income tax purposes or a corporation which accumulates earnings to avoid United States federal income tax;

(iii) in the case of payment by AT&T, the past or present or future status of the holder of the Note as the actual or constructive owner of 10% or more of either the total combined voting power of all classes of stock of AT&T entitled to vote if AT&T was treated as a corporation, or the capital or profits interest in AT&T, if AT&T is treated as a partnership for United States federal income tax purposes or as a bank receiving interest described in Section 881(c) (3) (A) of the Internal Revenue Code of 1986, as amended; or

(iv) the failure by the holder of the Note to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the United States (in the case of payment by AT&T) of such holder, if compliance is required by statute or by regulation as a precondition to exemption from such withholding or deduction;

(b) in the case of payment by AT&T to any United States Alien, if such person is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the bearer of such Note. As used herein, “United States Alien” means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United

States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust;

(c) to the extent that the withholding or deduction is as a result of the imposition of any gift, inheritance, estate, sales, transfer, personal property or any similar tax, assessment or other governmental charge;

(d) to, or to a third party on behalf of, a holder who is liable for the Taxes in respect of the Notes by reason of his having any or some present or former connection, including but not limited to fiscal residency, fiscal deemed residency and substantial interest shareholdings, with the Relevant Jurisdiction, other than the mere holding of the Notes;

(e) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the relevant Notes for payment on the last day of the period of 30 days assuming that day to have been an Interest Payment Date;

(f) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal or of interest on any Notes, if such payment can be made without withholding by any other paying agent;

(g) any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of our Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(h) any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later; or

(i) any combination of (a), (b), (c), (d), (e), (f), (g) or (h).

Interpretation

As used in this description:

(a) "Relevant Date" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the trustee on or before the due date, it means the date which is seven days after the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the holders of Notes by us; and

(b) "Relevant Jurisdiction" means the State of Delaware and the United States or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which we become subject in respect of payments made by it of principal and interest on the Notes.

Additional Amounts

Any reference in the terms of the Notes to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Further Issues

We may from time to time, without notice to or the consent of the holders of any series of the Notes, create and issue further notes ranking equally and ratably with such series in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as the Notes of the applicable series. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers' certificate pursuant to the Indenture.

Governing Law

The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company, or to buy substantially all of the assets of another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
- The company we merge into or sell to must agree to be legally responsible for our debt securities.
- The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “— Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Modification and Waiver of Holders’ Contractual Rights

Under certain circumstances, we can make changes to the Indenture and the securities (including the Notes). Some types of changes require the approval of each security holder affected, some require approval by a majority vote, and some changes do not require any approval at all.

Changes Requiring Approval of Holders. First, there are changes that cannot be made to the securities without specific approval of holders. The following is a list of those types of changes:

- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
- to reduce the rate of interest on any security or change the time for payment of interest;
- to reduce the principal due on any security or change the fixed maturity of any security;
- to waive a default in the payment of principal or interest on any security;
- to change the currency of payment on a security;
- in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
- to change the right of holders to waive an existing default by majority vote;
- to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
- to make any change to this list of changes that requires specific approval of holders.

Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except for clarifying changes and certain other changes that would not adversely affect holders of the securities. The same vote would be required for us to obtain a waiver of an

existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder's individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in "street name" and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
- We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
- We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
- We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.

Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an “indemnity”. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and bring such holder’s own lawsuit or other formal legal action or take other steps to enforce such holder’s rights or protect such holder’s interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
 - The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
 - The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
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- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder's security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder's debt security, however, without such holder's individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders' interest.

Holders who hold in "street name" and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

DESCRIPTION OF THE 4.250% GLOBAL NOTES DUE 2043

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of May 15, 2013, with The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Indenture") and the 4.250% Global Notes due 2043 (the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the form of Notes, which is filed as an exhibit to the Form 8-A filed with the Securities and Exchange Commission on May 15, 2013.

General

The Notes:

- were issued in an aggregate initial principal amount of £1,000,000,000, which remains the amount outstanding, subject to our ability to issue additional Notes which may be of the same series as the Notes as described under "— Further Issues";
- mature on June 1, 2043;
- bear interest at the rate of 4.250% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The Notes are unsecured and unsubordinated obligations and rank *pari passu* with all other indebtedness issued under our Indenture. The Notes constitute a single series under the Indenture. The Notes are issued in fully registered form only and in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. Principal and interest payments on the Notes are payable by us in pound sterling. Payments of principal, interest and additional amounts, if any, in respect of the Notes will be made to Euroclear System, Clearstream Banking S.A. or such nominee or common depository, as the case may be, as registered holder thereof. Under the terms of the Indenture, if the pound sterling ceases to exist when payments on the Notes are due under any circumstances, AT&T may supplement the Indenture to allow for payment in U.S. dollars. The principal and interest payable in U.S. dollars on a Note at maturity, or upon redemption, will be paid by wire transfer of immediately available funds against presentation of a Note at the office of the paying agent.

For purposes of the Notes, a business day means a business day in the City of New York and London.

Interest

The Notes bear interest at the rate of 4.250% per annum.

We pay interest on the Notes annually in arrears on June 1, commencing on June 1, 2014, to the persons in whose names the Notes are registered at the close of business on the May 15 preceding the interest payment date.

The Notes will mature on June 1, 2043.

Interest on the Notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes, to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

Optional Redemption

At any time prior to December 1, 2042, the Notes will be redeemable, as a whole or in part, at our option, at any time and from time to time on at least 30 days', but not more than 60 days', prior notice mailed to the registered address of each holder of the Notes. The redemption price will be equal to the greater of (1) 100% of the principal

amount of the Notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date, on an annual basis (ACTUAL/ACTUAL (ICMA)), at a rate equal to the Treasury Rate (as defined below) and 20 basis points for the Notes. In either case, accrued interest will be payable to the redemption date. At any time on or after December 1, 2042, we have the option to redeem the Notes, as a whole or in part, on at least 30 days', but not more than 60 days', prior notice mailed to the registered address of each holder of the Notes at a redemption price equal to 100% of the principal amount of the Notes to be redeemed. Accrued interest will be payable to the redemption date.

"Treasury Rate" means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield on the Notes, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the Reference Bond (as defined below) on the basis of the middle market price of the Reference Bond prevailing at 11:00 a.m. (London time) on such dealing day as determined by the Company or an investment bank appointed by the Company.

"Reference Bond" means, in relation to any Treasury Rate calculation, a United Kingdom government bond whose maturity is closest to the maturity of the Notes, or if the Company or an investment bank appointed by the Company considers that such similar bond is not in issue, such other United Kingdom government bond as the Company or an investment bank appointed by the Company, with the advice of three brokers of, and/or market makers in, United Kingdom government bonds selected by the Company or an investment bank appointed by the Company, determine to be appropriate for determining such Treasury Rate.

"Remaining Scheduled Payments" means, with respect to each Note to be redeemed, the remaining scheduled payments of principal of and interest on the Note that would be due after the related redemption date but for the redemption. If that redemption date is not an interest payment date with respect to a Note, the amount of the next succeeding scheduled interest payment on the Note will be reduced by the amount of interest accrued on the Note to the redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with a paying agent or the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date.

In the case of any partial redemption, selection of the Notes will be made by the trustee by lot or by such other method as the trustee in its sole discretion deems to be fair and appropriate.

Redemption for Taxation Reasons

If (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined below under "Interpretation"), or any change in the official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after May 8, 2013, on the next Interest Payment Date we would be required to pay additional amounts as provided or referred to below under "— Payment Without Withholding" and (b) the requirement cannot be avoided by our taking reasonable measures available to us, we may at our option, having given not less than 30 nor more than 60 days' notice to the holders of Notes (which notice shall be irrevocable), redeem all, but not a portion of, the Notes at any time at their principal amount together with interest accrued to, but excluding, the date of redemption provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which we would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, we shall deliver to the trustee a certificate signed by two of our executive officers stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and setting forth a statement of facts showing that the conditions precedent to the right of AT&T so to redeem have occurred, cannot be avoided by us taking reasonable measures available to us and an opinion of independent legal advisers of recognized international standing to the effect that AT&T has or will become obliged to pay such additional amounts as a result of the change or amendment, in each case to be held by the trustee and made available for viewing at the offices of the trustee on request by any holder of the Notes.

Payment Without Withholding

All payments in respect of the Notes by or on behalf of AT&T shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, collected, withheld, assessed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, we will pay such additional amounts to a holder who is a United States Alien (as defined below) as may be necessary in order that the

net amounts received by the holder after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Note:

(a) where such withholding or deduction would not have been so imposed but for:

(i) in the case of payment by AT&T, the existence of any present or former connection between the holder of the Note (or between a fiduciary, settlor, shareholder, beneficiary or member of the holder of the Note, if such holder is an estate, a trust, a corporation or a partnership) and the United States, including, without limitation, such holder (or such fiduciary, settlor, shareholder, beneficiary or member) being or having been a citizen or resident or treated as a resident thereof, or being or having been engaged in trade or business or presence therein, or having or having had a permanent establishment therein;

(ii) in the case of payment by AT&T, the present or former status of the holder of the Note as a personal holding company, a foreign personal holding company, a passive foreign investment company, or a controlled foreign corporation for United States federal income tax purposes or a corporation which accumulates earnings to avoid United States federal income tax;

(iii) in the case of payment by AT&T, the past or present or future status of the holder of the Note as the actual or constructive owner of 10% or more of either the total combined voting power of all classes of stock of AT&T entitled to vote if AT&T was treated as a corporation, or the capital or profits interest in AT&T, if AT&T is treated as a partnership for United States federal income tax purposes or as a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended; or

(iv) the failure by the holder of the Note to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the United States (in the case of payment by AT&T) of such holder, if compliance is required by statute or by regulation as a precondition to exemption from such withholding or deduction;

(b) in the case of payment by AT&T to any United States Alien, if such person is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the bearer of such Note. As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust;

(c) to the extent that the withholding or deduction is as a result of the imposition of any gift, inheritance, estate, sales, transfer, personal property or any similar tax, assessment or other governmental charge;

(d) to, or to a third party on behalf of, a holder who is liable for the Taxes in respect of the Notes by reason of his having any or some present or former connection, including but not limited to fiscal residency, fiscal deemed residency and substantial interest shareholdings, with the Relevant Jurisdiction, other than the mere holding of the Notes;

(e) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the relevant Notes for payment on the last day of the period of 30 days assuming that day to have been an Interest Payment Date;

(f) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal or of interest on any Notes, if such payment can be made without withholding by any other paying agent;

(g) any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of our Notes, if compliance is required by statute, by regulation of the

United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(h) any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later; or

(i) any combination of (a), (b), (c), (d), (e), (f), (g) or (h).

Interpretation

As used in this description:

(a) “Relevant Date” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the trustee on or before the due date, it means the date which is seven days after the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the holders of Notes by us; and

(b) “Relevant Jurisdiction” means the State of Delaware and the United States or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which we become subject in respect of payments made by it of principal and interest on the Notes.

Additional Amounts

Any reference in the terms of the Notes to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Further Issues

We may from time to time, without notice to or the consent of the holders of the Notes, create and issue further notes ranking equally and ratably with such Notes in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as the Notes. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers’ certificate pursuant to the Indenture.

Governing Law

The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
 - The company we merge into or sell to must agree to be legally responsible for our debt securities.
 - The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “— Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would
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be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Further, we may buy substantially all of the assets of another company without complying with any of the foregoing conditions.

Modification and Waiver of Holders' Contractual Rights

Under certain circumstances, we can make changes to the Indenture and the securities (including the Notes). Some types of changes require the approval of each security holder affected, some require approval by a majority vote, and some changes do not require any approval at all.

Changes Requiring Approval of Holders. First, there are changes that cannot be made to the securities without specific approval of holders. The following is a list of those types of changes:

- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
- to reduce the rate of interest on any security or change the time for payment of interest;
- to reduce the principal due on any security or change the fixed maturity of any security;
- to waive a default in the payment of principal or interest on any security;
- to change the currency of payment on a security, unless the security provides for payment in a currency that ceases to exist;
- in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
- to change the right of holders to waive an existing default by majority vote;
- to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
- to make any change to this list of changes that requires specific approval of holders.

Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except as set forth in the following paragraph. The same vote would be required for us to obtain a waiver of an existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder's individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms, changes to make securities payable in U.S. dollars (if the stated denomination ceases to exist) and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a

particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in “street name” and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
 - We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
 - We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
 - We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.
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Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an "indemnity". If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and brings such holder's own lawsuit or other formal legal action or take other steps to enforce such holder's rights or protect such holder's interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder's security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder's debt security, however, without such holder's individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders' interest.

Holders who hold in “street name” and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A. is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon Trust Company, N.A. may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

DESCRIPTION OF THE 2.900% GLOBAL NOTES DUE 2026, THE 4.375% GLOBAL NOTES DUE 2029 AND THE 5.200% GLOBAL NOTES DUE 2033

The following summary of AT&T's above referenced debt securities is based on and qualified by the indenture, dated as of May 15, 2013, with The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Indenture") and the 2.900% Global Notes due 2026 (the "2.900% 2026 Notes"), the 4.375% Global Notes due 2029 (the "4.375% 2029 Notes") and the 5.200% Global Notes due 2033 (the "2033 Notes" and, together with the 2.900% 2026 Notes and the 4.375% 2029 Notes, the "Notes"). For a complete description of the terms and provisions of the Notes, please refer to the Indenture, which is filed as an exhibit to AT&T's Annual Report on Form 10-K for the year ended December 31, 2020 and to the forms of Notes, which are filed as exhibits to the Form 8-As filed with the Securities and Exchange Commission on March 24, 2016 and September 11, 2018.

General

The 2.900% 2026 Notes:

- were issued in an aggregate initial principal amount of £750,000,000, which remains the amount outstanding, subject to our ability to issue additional 2.900% 2026 Notes which may be of the same series as the 2.900% 2026 Notes as described under "— Further Issues";
- mature on December 4, 2026;
- bear interest at the rate of 2.900% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 4.375% 2029 Notes:

- were issued in an aggregate initial principal amount of £745,000,000, which remains the amount outstanding, subject to our ability to issue additional 4.375% 2029 Notes which may be of the same series as the 4.375% 2029 Notes as described under "— Further Issues";
- mature on September 14, 2029;
- bear interest at the rate of 4.375% per annum, payable annually in arrears;
- are repayable at par at maturity;
- are redeemable by us at the time described below under "— Optional Redemption" and in connection with certain tax events as described below under "— Redemption Upon a Tax Event"; and
- are not subject to any sinking fund.

The 2033 Notes:

- were issued in an aggregate initial principal amount of £342,361,000, which remains the amount outstanding, subject to our ability to issue additional 2033 Notes which may be of the same series as the 2033 Notes as described under "— Further Issues";
 - mature on November 18, 2033;
 - bear interest at the rate of 5.200% per annum, payable annually in arrears;
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- are repayable at par at maturity;
- are redeemable by us at the time described below under “— Optional Redemption” and in connection with certain tax events as described below under “— Redemption Upon a Tax Event”; and
- are not subject to any sinking fund.

The Notes are unsecured and unsubordinated obligations and rank *pari passu* with all other indebtedness issued under our Indenture. Each series of Notes constitutes a separate series under the Indenture. The Notes are issued in fully registered form only and in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. Principal and interest payments on the Notes are payable by us in pound sterling. Payments of principal, interest and additional amounts, if any, in respect of the Notes will be made to Euroclear System, Clearstream Banking S.A. or such nominee or common depositary, as the case may be, as registered holder thereof. Under the terms of the Indenture, if the pound sterling ceases to exist when payments on the Notes are due under any circumstances, AT&T may supplement the Indenture to allow for payment in U.S. dollars. The principal and interest payable in U.S. dollars on a Note at maturity, or upon redemption, will be paid by wire transfer of immediately available funds against presentation of a Note at the office of the paying agent.

For purposes of the 2.900% 2026 Notes, a business day means a business day in the City of New York or the City of London.

For purposes of the 4.375% 2029 Notes and 2033 Notes, a business day means any day other than a Saturday or Sunday and that, in the City of New York or London, is not a day on which banking institutions are generally authorized or obligated by law to close, and is a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System, or any successor thereto, operates.

Interest

The 2.900% 2026 Notes bear interest at the rate of 2.900% per annum, the 4.375% 2029 Notes bear interest at the rate of 4.375% per annum and the 2033 Notes bear interest at the rate of 5.200% per annum.

We pay interest on the 2.900% 2026 Notes annually in arrears on each December 4, commencing on December 4, 2018, to the persons in whose names the 2.900% 2026 Notes are registered at the close of business on the business day preceding the interest payment date. We pay interest on the 4.375% 2029 Notes annually in arrears on September 14, commencing on September 14, 2016, to the persons in whose names the 4.375% 2029 Notes are registered at the close of business on the business day preceding the interest payment date. We pay interest on the 2033 Notes annually in arrears on November 18, commencing on November 18, 2016, to the persons in whose names our 2033 Notes are registered at the close of business on the business day preceding the interest payment date.

The 2.900% 2026 Notes will mature on December 4, 2026, the 4.375% 2029 Notes will mature on September 14, 2029 and the 2033 Notes will mature on November 18, 2033.

Interest on the Notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes, to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

Optional Redemption

At any time prior to September 4, 2026, the 2.900% 2026 Notes may be redeemed, as a whole or in part, at our option, at any time and from time to time on at least 30 days', but not more than 60 days', prior notice sent to the registered address of each holder of the Notes to be redeemed. The redemption price will be calculated by us and will be equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date, on an annual basis (ACTUAL/ACTUAL (ICMA)), at a rate equal to the Treasury Rate (as defined below) plus 25 basis points. In either case, accrued but unpaid interest will be payable to the redemption date. At any time on or after September 4, 2026, the Notes may be redeemed, as a whole or in part, at our option, at any time and from time to time on at least 30 days', but not more than 60 days', prior notice sent to the registered address of each holder of the Notes, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed. Accrued but unpaid interest will be payable to the redemption date.

The 4.375% 2029 Notes and the 2033 Notes may be redeemed as a whole or in part, at our option, at any time and from time to time on at least 30 days', but not more than 60 days', prior notice mailed to the registered address of each holder of the applicable series of Notes. The redemption price will be equal to the greater of (1) 100% of the principal amount of the applicable series of Notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date, on an annual basis (ACTUAL/ACTUAL (ICMA)), at a rate equal to the Treasury Rate (as defined below) plus, for the 4.375% 2029 Notes, 35 basis points, and for the 2033 Notes, 25 basis points. In either case, accrued but unpaid interest will be payable to the redemption date. We will calculate the redemption price in connection with any redemption hereunder.

"Treasury Rate" means the price, expressed as a percentage (and, with respect to the 4.375% 2029 Notes and the 2033 Notes, rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield on the Notes of the applicable series, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the Reference Bond (as defined below) on the basis of the middle market price of the Reference Bond prevailing at 11:00 a.m. (London time) on such dealing day as determined by the Company or an investment bank appointed by the Company.

"Reference Bond" means, in relation to any Treasury Rate calculation, a United Kingdom government bond whose maturity is closest to the maturity of the Notes of the applicable series, or if the Company or an investment bank appointed by the Company considers that such similar bond is not in issue, such other United Kingdom government bond as the Company or an investment bank appointed by the Company, with the advice of three brokers of, and/or market makers in, United Kingdom government bonds selected by the Company or an investment bank appointed by the Company, determine to be appropriate for determining such Treasury Rate.

"Remaining Scheduled Payments" means, with respect to each Note of a series to be redeemed, the remaining scheduled payments of principal of and interest on the Note that would be due after the related redemption date but for the redemption. If that redemption date is not an interest payment date with respect to the applicable series of Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to the redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with a paying agent or the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date.

In the case of any partial redemption, selection of the Notes of a series to be redeemed will be made by the trustee by lot or, with respect to the 2.900% 2026 Notes, pursuant to applicable depository procedures and, with respect to the 4.375% 2029 Notes and the 2033 Notes, by such other method as the trustee in its sole discretion deems to be fair and appropriate.

Payment of Additional Amounts

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts as are necessary so that the net payment by us or our paying agent of the principal of and interest on the Notes to a person that is a United States Alien, after deduction for any present or future tax, assessment or governmental charge of the United States or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount that would have been payable in respect of the Notes had no withholding or deduction been required. As used herein, "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

Our obligation to pay additional amounts shall not apply:

(1) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner, or a fiduciary, settlor, beneficiary or member of the beneficial owner if the beneficial owner is an estate, trust or partnership, or a person holding a power over an estate or trust administered by a fiduciary holder:

(a) is or was present or engaged in a trade or business in the United States, has or had a permanent establishment in the United States, or has any other present or former connection with the United States or any political subdivision or taxing authority thereof or therein;

(b) is or was a citizen or resident or is or was treated as a resident of the United States;

(c) is or was a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States or is or was a corporation that has accumulated earnings to avoid United States federal income tax;

(d) is or was a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the “Code”); or

(e) is or was an actual or constructive owner of 10% or more of the total combined voting power of all classes of stock of AT&T entitled to vote;

(2) to any holder that is not the sole beneficial owner of the Notes, or a portion thereof, or that is a fiduciary or partnership, but only to the extent that the beneficial owner, a beneficiary or settlor with respect to the fiduciary, or a member of the partnership would not have been entitled to the payment of an additional amount had such beneficial owner, beneficiary, settlor or member received directly its beneficial or distributive share of the payment;

(3) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or governmental charge that is imposed other than by deduction or withholding by AT&T or a paying agent from the payment;

(5) to any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that is announced or becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later;

(6) to an estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or any similar tax, assessment or governmental charge;

(7) to any tax, assessment or other governmental charge any paying agent (which term may include us) must withhold from any payment of principal of or interest on any Note, if such payment can be made without such withholding by any other paying agent; or

(8) in the case of any combination of the above items.

In addition, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable. Except as specifically provided under this heading “—Payment of Additional Amounts” and under the heading “—Redemption Upon a Tax Event,” we do not have to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority.

Any reference in the terms of the Notes of each series to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Redemption Upon a Tax Event

If (a) we become or will become obligated to pay additional amounts with respect to any Notes as described herein under the heading “—Payment of Additional Amounts” as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States (or any political subdivision or taxing authority thereof or therein), or any change in, or amendments to, any official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective, on or after March 21, 2016 with respect to the 4.375% 2029 Notes and the 2033 Notes and September 6, 2018 with respect to the 2.900% 2026 Notes or (b) a taxing authority of the United States takes an action on or after March 21, 2016 with respect to the 4.375% 2029 Notes and the 2033 Notes and September 6, 2018 with respect to the 2.900% 2026 Notes, whether or not with respect to us or any of our affiliates, that results in a substantial probability that we will or may be required to pay such additional amounts, then we may, at our option, redeem, as a whole, but not in part, the applicable series of Notes on any interest payment date on not less than 30 nor more than 60 calendar days’ prior notice, at a redemption price equal to 100% of their principal amount, together with interest accrued thereon to the date fixed for redemption. No redemption pursuant to (b) above may be made unless we shall have received an opinion of independent counsel to the effect that an act taken by a taxing authority of the United States results in a substantial probability that we will or may be required to pay the additional amounts described herein under the heading “—Payment of Additional Amounts” and we shall have delivered to the trustee a certificate, signed by a duly authorized officer, stating that based on such opinion we are entitled to redeem the Notes pursuant to their terms.

Further Issues

We may from time to time, without notice to or the consent of the holders of any series of the Notes, create and issue further notes ranking equally and ratably with such series in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as, and will be fungible for United States federal income tax purposes with, the Notes of the applicable series. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the Indenture, or under an officers’ certificate pursuant to the Indenture.

Governing Law

The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

Special Situations Covered by Our Indenture

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the company we merge into or sell to may not be organized under the laws of a foreign country. It must be a corporation organized under the laws of the United States, any State thereof, or the District of Columbia.
- The company we merge into or sell to must agree to be legally responsible for our debt securities.
- The merger, sale of assets or other transaction must not cause a default on the securities, and we must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under “— Default and Related Matters — Events of Default — What Is an Event of Default?” A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Further, we may buy substantially all of the assets of another company without complying with any of the foregoing conditions.

Modification and Waiver of Holders' Contractual Rights

Under certain circumstances, we can make changes to the Indenture and the securities (including the Notes). Some types of changes require the approval of each security holder affected, some require approval by a majority vote, and some changes do not require any approval at all.

Changes Requiring Approval of Holders. First, there are changes that cannot be made to the securities without specific approval of holders. The following is a list of those types of changes:

- to reduce the percentage of holders of securities who must consent to a waiver or amendment of the Indenture;
- to reduce the rate of interest on any security or change the time for payment of interest;
- to reduce the principal due on any security or change the fixed maturity of any security;
- to waive a default in the payment of principal or interest on any security;
- to change the currency of payment on a security, unless the security provides for payment in a currency that ceases to exist;
- in the case of convertible or exchangeable securities, to make changes to conversion or exchange rights that would be adverse to the interests of holders;
- to change the right of holders to waive an existing default by majority vote;
- to reduce the amount of principal or interest payable to holders following a default or change any conversion or exchange rights, or impair the right of holders to sue for payment; and
- to make any change to this list of changes that requires specific approval of holders.

Changes Requiring a Majority Vote. The second type of change to the Indenture and the securities is the kind that requires a vote in favor by security holders owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except as set forth in the following paragraph. The same vote would be required for us to obtain a waiver of an existing default. However, we cannot obtain a waiver of a payment default unless we obtain each holder's individual consent to the waiver.

Changes Not Requiring Approval of Holders. The third type of change does not require any vote by holders of securities. This type includes, among others, clarifications of ambiguous contract terms, changes to make securities payable in U.S. dollars (if the stated denomination ceases to exist) and other changes that would not materially adversely affect holders of the securities.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- For securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent determined on the date of original issuance of these securities.

Securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for the applicable holders money for their payment or redemption. A security does not cease to be outstanding because we or an affiliate of us is holding the security.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding securities that are entitled to vote or take other action under the Indenture. However, the Indenture does not oblige us to fix any record date at all. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding securities of that series on the record date and must be taken within 90 days following the record date.

Holders who hold in "street name" and other indirect holders, including holders of any securities issued as global securities, should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the securities or request a waiver.

Discharge of Our Obligations

We can fully discharge ourselves from any payment or other obligations on the securities of any series if we make a deposit for the applicable holders with the trustee and certain other conditions are met. The deposit must be held in trust for the benefit of all direct holders of the securities and must be a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the securities on their various due dates.

However, we cannot discharge ourselves from the obligations under any convertible or exchangeable securities, unless we provide for it in the terms of these securities.

If we accomplish full discharge, as described above, holders will have to rely solely on the trust deposit for repayment of the securities. Holders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent.

We will indemnify the trustee and holders against any tax, fee or other charge imposed on the U.S. government obligations we deposited with the trustee or against the principal and interest received on these obligations.

Liens on Assets

The Indenture does not restrict us from pledging or otherwise encumbering any of our assets and those of our subsidiaries.

Default and Related Matters

Ranking Compared to Other Creditors

The securities are not secured by any of our property or assets. Accordingly, ownership of securities means each holder is one of our unsecured creditors. The securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. However, the trustee has a right to receive payment for its administrative services prior to any payment to security holders after a default.

Events of Default

Holders will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term “event of default” with respect to any series of securities means any of the following:

- We fail to make any interest payment on the securities of such series when it is due, and we do not cure this default within 90 days.
- We fail to make any payment of principal when it is due at the maturity of such series of securities or upon redemption.
- We fail to comply with any of our other agreements regarding a particular series of securities or with a supplemental indenture, and after we have been notified of the default by the trustee or holders of 25% in principal amount of the series, we do not cure the default within 90 days.
- We file for bankruptcy, or other events in bankruptcy, insolvency or reorganization occur.

Remedies if an Event of Default Occurs

Holders and the trustee will have the following remedies if an event of default occurs:

Acceleration. If an event of default has occurred and has not been cured or waived, then the trustee or the holders of 25% in principal amount of the securities of the affected series may declare the entire principal amount of and any accrued interest on all the securities of that series to be due and immediately payable. An acceleration of

maturity may be cancelled by the holders of at least a majority in principal amount of the securities of the affected series, if all events of default have been cured or waived.

Special Duties of Trustee. If an event of default occurs, the trustee will have some special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Other Remedies of Trustee. If an event of default occurs, the trustee is authorized to pursue any available remedy to collect defaulted principal and interest and to enforce other provisions of the securities and the Indenture, including bringing a lawsuit.

Majority Holders May Direct the Trustee to Take Actions to Protect Their Interests. The trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an “indemnity”. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of the relevant series of debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the Indenture.

Individual Actions Holders May Take if the Trustee Fails to Act. Before a holder bypasses the trustee and brings such holder’s own lawsuit or other formal legal action or take other steps to enforce such holder’s rights or protect such holder’s interests relating to the securities, the following must occur:

- Such holder must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- During the 60-day period, the holders of a majority in principal amount of the securities of that series do not give the trustee a direction inconsistent with the request.

However, a holder is entitled at any time to bring an individual lawsuit for the payment of the money due on such holder’s security on or after its due date.

Waiver of Default

The holders of a majority in principal amount of the relevant series of debt securities may waive a default for all the relevant series of debt securities. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on a holder’s debt security, however, without such holder’s individual approval.

We Will Give the Trustee Information About Defaults Annually

Every year we will give to the trustee a written statement of one of our officers certifying that to the best of his or her knowledge we are in compliance with the Indenture and all the securities under it, or else specifying any default.

The trustee may withhold from holders notice of any uncured default, except for payment defaults, if it determines that withholding notice is in holders’ interest.

Holders who hold in “street name” and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to make or cancel a declaration of acceleration.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A. is the trustee under the Indenture. In addition, affiliates of The Bank of New York Mellon Trust Company, N.A. may perform various commercial banking and investment banking services for us and our subsidiaries from time to time in the ordinary course of business.

2005 SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

Adopted: November 19, 2004

Effective: November 18, 2005

Amended and Restated: October 14, 2021

1 Purpose.

The purpose of the 2005 Supplemental Employee Retirement Plan (the "SERP" or the "Plan") is to provide Participants with retirement benefits to supplement benefits payable pursuant to qualified group pension plans sponsored by AT&T or an affiliate of AT&T. The Plan is a successor to the AT&T Supplemental Retirement Income Plan ("SRIP") that was effective January 1, 1984 and which was amended, effective December 31, 2004, to cease accruals so that the benefits payable under the SRIP shall be grandfathered and administered in accordance with the provisions of the SRIP in a manner that does not invoke Section 409A of the Code.

2 Definitions.

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

Administrative Committee. "Administrative Committee" means a Committee, consisting of the SEVP-HR and two or more other members designated by the SEVP-HR, which shall administer the Plan.

Agreement. "Agreement" means the written agreement entered into between AT&T by its SEVP-HR and a Participant prior to January 1, 2009 to carry out the Plan with respect to such Participant. No Agreements are necessary for Participants who become eligible to participate in the Plan on or after January 1, 2009.

AT&T. "AT&T" means AT&T Inc.

Beneficiary. "Beneficiary" shall mean any beneficiary or beneficiaries designated by the Participant pursuant to the AT&T Rules for Employee Beneficiary Designations as may hereafter be amended from time-to-time ("Rules"). If a Participant fails to execute a Beneficiary designation form with respect to Plan benefits, his or her Beneficiary designation form with respect to his SRIP benefits shall apply with respect to his Plan benefits. If a Participant fails to execute a Beneficiary designation form with respect to Plan benefits and with respect to SRIP benefits, the default provisions in the Rules shall apply.

CEO or Chief Executive Officer. "CEO" or "Chief Executive Officer" shall mean the Chief Executive Officer of AT&T.

Disabled or Disability. "Disabled" or "Disability" means the Participant's (i) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident or health plan covering employees of the Participant's employer. The Administrative Committee, in its complete and sole discretion, determines whether a Participant is Disabled. The Administrative Committee may require that the Participant submit to an examination by a competent physician or medical clinic selected by the Administrative Committee. On the basis of such medical evidence, the determination of the Administrative Committee as to whether or not a Participant is Disabled shall be conclusive.

Earnings. "Earnings" means for a given calendar year the Participant's: (1) bonus earned as a short term award during the calendar year but not exceeding 200% of the target amount of such bonus (or such other portion of the bonus or target bonus as may be determined by the Human Resources Committee of the Board of AT&T), plus (2) base salary before reduction due to any contribution pursuant to any deferred compensation plan or agreement sponsored by AT&T or an AT&T affiliate, including but not limited to compensation deferred in accordance with Sections 401(k), 125, or 132(f) of the Internal Revenue Code.

Final Average Earnings. "Final Average Earnings" means the average of the Participant's Monthly Earnings for the thirty-six (36) consecutive months out of the one hundred twenty (120) months next preceding the Participant's Termination of Employment which yields the highest average earnings. If the Participant has fewer than thirty-six (36) months of employment, the average shall be taken over his or her period of employment.

GAAP Rate. For a referenced calendar year, "GAAP Rate" means the interest rate used for valuing Plan liabilities on December 31 of the immediately preceding calendar year and for calculating periodic pension expense for the referenced calendar year, both for purposes of AT&T's financial statement reporting requirements.

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

Immediate Annuity Value of any AT&T or affiliate Qualified Pensions. "Immediate Annuity Value of any AT&T or affiliate Qualified Pensions" shall have the meaning as provided in Attachment B.

Immediate Annuity Value of SRIP. "Immediate Annuity Value of SRIP" shall have the meaning as provided in Attachment C.

Immediate Annuity Value of any other AT&T or affiliate Non-Qualified Pensions other than SERP. "Immediate Annuity Value of any AT&T or affiliate Non-Qualified Pensions other than SERP" shall have the meaning as provided in Attachment D.

Mid-Career Hire. "Mid-Career Hire" means an individual whose Service Commencement Date is on or after the individual's thirty-fifth (35th) birthday.

Monthly Earnings. "Monthly Earnings" means one-twelfth (1/12) of Earnings.

Mortality Tables. "Mortality Tables" means the mortality tables as defined by Code Section 417(e) for valuing minimum lump sum benefits payable from qualified pension plans for the referenced period.

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

Participant. "Participant" means:

- (a) Any person who, as of close of business on December 31, 2004, was employed by an AT&T affiliate and was a participant in the SRIP; or
- (b) Any person who was a participant in the SRIP, terminated employment in 2004 and receives Earnings in 2005; or
- (c) An Officer of AT&T or an AT&T affiliate who is designated by the Human Resources Committee as eligible to participate in the Plan.

Notwithstanding the foregoing definition of Participant, the Human Resources Committee, may, at any time and from time to time, exclude any person or group of persons from being a "Participant" under this plan.

An individual's participation in SERP shall commence as of his or her SERP Effective Date.

Retire or Retirement. "Retire" or "Retirement" shall mean the Termination of Employment of a Participant for reasons other than death, on or after the earlier of the following dates: (1) the date the Participant is Retirement Eligible or (2) the date the Participant has attained one of the following combinations of age and service at Termination of Employment:

<u>Years of Service</u>	<u>Age</u>
25 years or more	50 or older
30 years or more	Any age

Retirement Eligible. "Retirement Eligible" or "Retirement Eligibility" means that a Participant has attained age 55 and has at least five (5) Years of Service.

Retirement Percent. "Retirement Percent" means the percent specified in the Agreement with the Participant (if any) which establishes a Target Retirement Benefit (see Section 3.1) as a percentage of Final Average Earnings. For an individual who becomes a Participant on or after January 1, 2006, "Retirement Percent" means 50 percent unless otherwise provided by the Human Resources Committee of the Board of Directors of AT&T.

SERP Effective Date. "SERP Effective Date" means the date of the written designation of the Participant's eligibility to participate in SERP, signed by the CEO or authorized by the Human Resources Committee, as required by the Plan.

SEVP-HR. "SEVP-HR" means AT&T's Senior Executive Vice President responsible for Human Resources matters.

Supplemental Retirement Income Plan or SRIP. "Supplemental Retirement Income Plan" or "SRIP" means the AT&T Inc. Supplemental Retirement Income Plan effective January 1, 1984.

Service Commencement Date. "Service Commencement Date" means the Participant's employment commencement date with AT&T or any AT&T affiliate, as such date may be adjusted from time-to-time in accordance with rules, policies and procedures generally applied by AT&T to adjust for breaks in service or other periods of time, as reflected in AT&T's or an AT&T affiliate's records, all as determined in the discretion of the SEVP-HR.

Service Factor. "Service Factor" means, unless otherwise agreed in writing by the Participant and AT&T, either (a) a deduction of 1.43 percent, or .715 percent for Mid-Career

Hires, multiplied by the number by which (i) thirty-five (or thirty in the case of a Participant who is an Officer) exceeds (ii) the number of Years of Service of the Participant, or (b) a credit of 0.715 percent multiplied by the number by which (i) the number of Years of Service of the Participant exceeds (ii) thirty-five (or thirty in the case of a Participant who is an Officer). For purposes of the above computation, a deduction shall result in the Service Factor being subtracted from the Retirement Percent whereas a credit shall result in the Service Factor being added to the Retirement Percent.

Termination of Employment. "Termination of Employment" means the ceasing of the Participant's employment from the AT&T controlled group of companies for any reason whatsoever, whether voluntarily or involuntarily. A Participant will be deemed to have realized a Termination of Employment at any time that a Participant and the Administrative Committee reasonably anticipate that the bona fide level of services the Participant will perform (whether as an employee or an independent contractor) will be permanently reduced to a level that is less than fifty percent (50%) of the average level of bona fide services the Participant performed during the immediately preceding thirty-six (36) months (or the entire period the Participant has provided services if the Participant has been providing services to the AT&T controlled group of companies less than thirty-six (36) months).

Year. A "Year" is a period of twelve (12) consecutive calendar months.

Years of Participation. "Years of Participation" means the number of each complete Years beginning with the Participant's SERP Effective Date through each annual anniversary of such date.

Years of Service. "Years of Service" means the number of each complete Years of full-time service as an employee of AT&T or an AT&T affiliate beginning with the Participant's Service Commencement Date through each annual anniversary of such date, including service prior to the adoption of this Plan. "Years of Service" shall also include, without duplication, (i.) a Participant's Years of service that are recognized for purposes of the BellSouth Corporation Supplemental Employee Retirement Plan, or (ii.) a Participant's years of service on the Cingular Wireless payroll during the period beginning on 10/28/01 and ending on or prior to 12/31/04 that were recognized for purposes of the Cingular Wireless SBC Executive Transition Supplemental Retirement Income Plan, but that are not otherwise included pursuant to the immediately preceding sentence.

3 Plan ("SERP") Benefits.

3.1 SERP Benefit Formula.

With respect to (1) a Participant who was a participant in the SRIP prior to January 1, 1998, or (2) a Participant who, prior to January 1, 1998, was an officer of a Pacific Telesis Group ("PTG") company and became a participant in the SRIP after January 1, 1998, the amount of such Participant's SERP Benefit is calculated as follows:

Final Average Earnings
x Revised Retirement Percentage
= Target Retirement Benefit
- Immediate Annuity Value of any AT&T or affiliate Qualified Pensions
- Immediate Annuity Value of any other AT&T or affiliate Non-Qualified Pensions other than the SERP
= Target Benefit
- Age Discount
= Annual Value of Life with 10 Year Certain SERP Benefit payable as a result of Termination of Employment Before SRIP Reduction
- Immediate Annuity Value of SRIP
= Annual Value of Life with 10 Year Certain SERP Benefit payable as a result of Termination of Employment

With respect to all other Participants, subject to the provisions of Attachment E, the amount of such Participant's SERP Benefit is calculated as follows:

Final Average Earnings
X Revised Retirement Percentage
= Target Retirement Benefit
- Age Discount
= Discounted Target Benefit
- Immediate Annuity Value of any AT&T or affiliate Qualified Pensions
- Immediate Annuity Value of SRIP
- Immediate Annuity Value of any other AT&T or affiliate Non-Qualified Pensions other than SERP
= Annual Value of Life with 10 Year Certain SERP Benefit payable as a result of Termination of Employment

Where in both of the above cases the following apply:

- (a) Revised Retirement Percentage = Retirement Percent + Service Factor
 - (b) For purposes of determining the Service Factor, the Participant's actual Years of Service as of the date of Termination of Employment, to the day, shall be used.
 - (c) For purposes of determining the Final Average Earnings, the Participant's Earnings history as
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of the date of Termination of Employment shall be used.

- (d) Age Discount means the Participant's SERP Benefit shall be decreased by five-tenths of one percent (.5%) for each month that the date of the Participant's Termination of Employment precedes the date on which the Participant will attain age 60.

Notwithstanding the foregoing, if at the time of Termination of Employment the Participant is, or has been within the one year period immediately preceding the Participant's Termination of Employment, an Officer with 30 or more Years of Service such Participant's Age Discount shall be zero.

Except to true up for an actual short term award paid following Termination of Employment, there shall be no recalculation of the value of a Participant's SERP Benefit hereunder following a Participant's Termination of Employment.

3.2. Vesting.

Notwithstanding any other provision of this Plan:

- (a) upon any Termination of Employment of the Participant for a reason other than death or Disability, AT&T shall have no obligation to the Participant under this Plan if the Participant has less than five (5) Years of Service or, for Participants who are informed, in writing, of their SERP eligibility on or after September 28, 2006, less than four (4) Years of Participation, at the time of Termination of Employment; provided, however, for any Participant whose Termination of Employment occurs on September 30, 2010 and who timely executes and does not revoke a Release and Waiver in favor of the Company, shall be deemed to satisfy the Years of Service and Years of Participation vesting requirements of this Section as of their Termination of Employment; and
- (b) the terms and conditions set forth in Section 8.2 shall apply to any benefits accrued on or after January 1, 2010, and in order for a Participant to accrue (or collect) such Plan benefits on or after January 1, 2010, the Participant must comply with the terms and conditions set forth in Section 8.2.

4 Election and Form of Distribution of SERP Benefits.

4.1 Normal Form.

The normal form of a Participant's benefits hereunder shall be a Life with 10-Year Certain Benefit as described in Section 4.2(a).

4.2 Election Alternatives.

Notwithstanding the normal form for distribution of a Participant's SERP Benefits, a Participant may elect one of the following Benefit Payout Alternatives:

- (a) Life with a 10-Year Certain Benefit. An annuity payable during the longer of (i) the life of the Participant or (ii) the 10-year period commencing on the Participant's Termination of Employment and ending on the day next preceding the tenth anniversary of such date (the "Life With 10-Year Certain Benefit"). If a Participant who is receiving a Life with 10-Year Certain Benefit dies prior to the expiration of the 10-year period described in this Section 4.2(a), the Participant's Beneficiary shall be entitled to receive the remaining Life With 10-Year Certain Benefit installments which would have been paid to the Participant had the Participant survived for the entire such 10-year period.
 - (b) Joint and 100% Survivor Benefit. A joint and one hundred percent (100%) survivor annuity payable for life to the Participant and at his or her death to his or her Beneficiary, in an amount equal to one hundred percent (100%) of the amount payable during the Participant's life, for life (the "Joint and 100% Survivor Benefit").
 - (c) Joint and 50% Survivor Benefit. A joint and fifty percent (50%) survivor annuity payable for life to the Participant and at his or her death to his or her Beneficiary, in an amount equal to fifty percent (50%) of the amount payable during the Participant's life, for life (the "Joint and 50% Survivor Benefit").
 - (d) Lump Sum Benefit. A lump sum benefit, which shall apply only if the Participant has attained the age of fifty-five (55) years as of his or her Termination of Employment. If a Participant elects a lump sum benefit but realizes a Termination of Employment prior to attaining age fifty-five (55), the Participant's SERP Benefit shall be paid as provided in Section 4.2(a),
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4.2(b) or 4.2(c), as elected or deemed elected by the Participant.

The Benefit Payout Alternatives described in Section 4.2(b), 4.2(c) and 4.2(d) shall be the actuarially determined equivalent (using the same reasonable actuarial assumptions and methods for valuing each Benefit Payout Alternative as determined by the SEVP-HR in his or her complete and sole discretion) of the Life With 10-Year Certain Benefit that is converted by such election. The amount of a Participant's lump sum benefit shall be calculated as of the Participant's Termination of Employment by applying the Mortality Tables and the GAAP Rate, both as in effect for the calendar year immediately preceding the calendar year of the Participant's Termination of Employment, but using the Participant's age, Years of Service and other factors as of the Participant's Termination of Employment.

4.3 Distribution Election.

- (a) Individual Who Is A Participant On or Before December 31, 2008. An individual who was a Participant on or before December 31, 2008 may make an irrevocable election of a Benefit Payout Alternative before the earlier of December 31 of the year immediately preceding his or her Termination of Employment or December 31, 2008 by delivery of such election, in writing, telecopy, email or in another electronic format, pursuant to or as instructed by the SEVP-HR (as determined by the SEVP-HR in his or her sole and absolute discretion).
 - (b) Individual Who Becomes A Participant After December 31, 2008. An individual who becomes a Participant after December 31, 2008 may make an irrevocable election of a Benefit Payout Alternative no later than the thirtieth (30th) day immediately following the Participant's SERP Effective Date by delivery of such election in writing, telecopy, email or in another electronic format, pursuant to or as instructed by the SEVP-HR (as determined by the SEVP-HR in his or her sole and absolute discretion).
 - (c) Failure to Timely Make a Distribution Election. If a Participant fails to make a timely election of a Benefit Payout Alternative as provided in Section 4.3(a) or 4.3(b), such Participant shall be deemed to have elected and such Participant's form of benefit shall be the Life With 10-Year Certain Benefit described in Section 4.2(a).
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- (d) Death of or Divorce from Annuitant During Participant's Lifetime. Notwithstanding any other provision of this Plan to the contrary, in the event of the death of a designated annuitant during the life of the Participant, the Participant's election to have a Benefit Payout Alternative described in Section 4.2(b) or 4.2(c) shall, without any action by the Participant, be revoked, and the Participant's benefit, or remaining benefit, under the Plan, as the case may be, shall be paid as provided in Section 4.2(a). Any conversion of benefit from one form to another pursuant to the provisions of this paragraph shall use the same reasonable actuarial assumptions and methods for valuing each annuity form of benefit before and after the death of the designated annuitant and shall be subject to actuarial adjustment (as determined by the SEVP-HR in his or her complete and sole discretion) such that the Participant's new benefit is the actuarial equivalent of the Participant's remaining prior form of benefit. Payments pursuant to Participant's new form of benefit shall be effective commencing with the first monthly payment for the month following the death of the annuitant.

Notwithstanding any other provision of this Plan to the contrary, in the event of the divorce or legal separation of the Participant, the Participant's election to have a Benefit Payout Alternative described in Section 4.2(b) or 4.2(c), with a survivor annuity for the benefit of the Participant's former spouse as Beneficiary, shall, without any action by the Participant, be revoked, and the Participant's benefit, or remaining benefit, under the Plan, as the case may be, shall be paid as provided in Section 4.2(a) (using the same reasonable actuarial assumptions and methods for valuing each annuity form of benefit before and after the divorce or legal separation and shall be subject to actuarial adjustment (as determined by the SEVP-HR in his or her complete and sole discretion). In such event, the 10-Year period as described in Section 4.2(a) shall be the same 10-year period as if such form of benefit was the form of benefit originally selected and the expiration date of such period shall not be extended beyond its original expiration date. Payments pursuant to Participant's new form of benefit shall be effective commencing with the first monthly payment following notice from the

Participant to the SEVP-HR after the divorce (or legal separation) becomes final.

- (e) Special Provisions for Lump Sum Benefit Election. A Participant who elects a lump sum benefit under Section 4.2(d) must, contemporaneous with such Lump Sum Benefit election, elect a specific number of year(s), not to exceed twenty (20) years, following his or her Termination of Employment upon which the lump sum benefit (including any interest accrued thereon) shall be distributed; provided, however,
- (i) the Participant may not receive more than thirty percent (30%) of his or her lump sum benefit (excluding any interest thereon) until the third (3rd) anniversary of his or her Termination of Employment; provided, however, if the Participant is age sixty (60) or older as of his or her Termination of Employment, the Participant, if elected in his or her timely filed election of a Benefit Payout Alternative, may receive one hundred percent (100%) of his or her lump sum benefit upon the day that is six (6) months following his or her Termination of Employment if he or she agrees, in writing, substantially in the form provided in Attachment A, not to compete with an Employer Business within the meaning of Section 8.2 for a period of three (3) years from such Participant's Termination of Employment and further agrees that if he or she fails to abide by such agreement, the non-compete agreement is challenged, or the non-compete agreement is unenforceable, he or she shall forfeit all benefits hereunder and repay the lump sum benefit to AT&T; and
- (ii) prior to distribution of the Participant's lump sum benefit, interest on such lump sum benefit shall accrue and shall be added to the Participant's lump sum benefit or distributed monthly, as elected by the Participant in his or her election of a Benefit Payout Alternative.

A Participant's lump sum benefit payment schedule must comply with the rules for payment schedules as adopted by the SEVP-HR (as determined by the SEVP-HR in his or her sole and absolute discretion), which, for example, may require payment of principal to be made no more frequently than once per calendar year.

If the payment schedule elected by a Participant does not comply with the rules for payment schedules, (i) thirty percent (30%) of such Participant's lump sum benefit shall be paid to the Participant upon the date that is six (6) months following the Participant's Termination of Employment, and (ii) the remaining seventy percent (70%) shall be paid to the Participant on the third (3rd) anniversary of such Participant's Termination of Employment.

- (f) Lump Sum Benefit or Frozen Account Balance. From and after a Participant's Termination of Employment, the SEVP-HR shall maintain records of a lump sum benefit account balance for each Participant who elected a lump sum benefit. During such period of time that all or any portion of a Participant's lump sum benefit is not paid, interest shall be credited using the same methodology used by AT&T for financial accounting purposes using the GAAP Rate that was used to calculate such Participant's lump sum benefit. Payments of principal and interest shall be deducted from the lump sum benefit account balance.

A Participant whose employment has not terminated may change a prior distribution election at any time on or before December 31, 2008, provided, however, if the Participant's employment terminates for any reason in the calendar year in which the new distribution election is filed, such new election shall be null and void. In the event the Participant's new election is null and void, the Participant's prior election, if any, shall apply. If there is no prior election, the Plan's default distribution provisions shall apply.

4.4 Subsequent Lump Sum Election.

- (a) A Participant who has not realized a Termination of Employment and whose Benefit Payout Alternative election is (or is deemed to be) in a form described in Section 4.2(a), (b), or (c) shall have a one-time opportunity to irrevocably elect the lump sum Benefit Payout Alternative described in Section 4.2(d) without regard to the age 55 requirement. In addition, a Participant who has not realized a Termination of Employment, whose Benefit Payout Alternative election is the lump sum described in Section 4.2(d), and who has not attained age 55 ("Pre-55 Subsequent Electee") shall have a one-time opportunity to irrevocably elect that his or her lump sum election be given effect even if the Participant has not attained
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age fifty-five (55) at Termination of Employment. In each case, such election shall be subject to the following, and shall satisfy all other Plan provisions regarding such Benefit Payout Alternative:

- (i) The Participant's election under this Section 4.4 must be made on or before December 15, 2021 by delivery of such election in the form and manner prescribed by the SEVP-HR in his or her sole and absolute discretion; and
 - (ii) Notwithstanding any provision within Section 4.3(e) and only to the extent that the Participant's distribution election given effect is the subsequent election set forth in this Section 4.4, distribution of such Participant's entire benefit shall be made upon the date that is five (5) years and six (6) months following the Participant's Termination of Employment.
- (b) A Participant's election under this Section 4.4 is void and disregarded for all purposes if the Participant's Termination of Employment occurs prior to the six month anniversary of the date of the Participant's election under this Section 4.4. If a Participant's election under this Section 4.4 is void and disregarded, the Participant's SERP Benefit shall be paid as provided in Section 4.2, as elected or deemed elected by the Participant pursuant to Section 4.3, without regard to this Section 4.4.
- (c) For the avoidance of doubt, this Section 4.4 shall not govern, and shall have no effect on, payment of the SERP Benefit of a Pre-55 Subsequent Electee if the Pre-55 Subsequent Electee is age fifty-five (55) or older at the time of such Pre-55 Subsequent Electee's Termination of Employment. In that event, the Pre-55 Subsequent Electee's SERP Benefit shall be paid as provided in Section 4.2, as elected or deemed elected by the Participant and the other provisions of the Plan without regard to this Section 4.4.

5 Death or Disability Benefits.

5.1 Death Following Termination of Employment.

If a Participant who has commenced payment of his or her SERP benefit hereunder dies, his or her Beneficiary shall

be entitled to receive the remaining SERP benefit in accordance with the Benefit Payout Alternative elected or deemed elected by the Participant.

5.2 Death Prior to Termination of Employment

If a Participant dies prior to his or her Termination of Employment, a pre-retirement death benefit will be calculated and paid as though the Participant had Retired (determined without regard to the 5 Years of Service or the 4 Years of Participation requirements) on the day prior to the date of death. The pre-retirement death benefit shall be paid at such time and in such form as timely elected or deemed elected by the Participant; provided, if the Participant elected or is deemed to have elected any form of an annuity, such pre-retirement death benefit shall be paid as a Beneficiary Life Annuity (as such term is hereinafter described) based on the life expectancy of the Beneficiary, and, if the Participant elected or is deemed to have elected a Life with a 10-Year Certain Benefit, such Beneficiary Life Annuity shall continue for the longer of (i) the Beneficiary's life, or (ii) the 10 year period commencing on the Participant's death. If paid as a Beneficiary Life Annuity, such benefit shall be the actuarially determined equivalent using the same reasonable actuarial assumptions and methods (as determined by the SEVP-HR in his or her complete and sole discretion) of the Life With 10-Year Certain Benefit that would have been paid to the Participant had he or she Retired on the day immediately prior to his or her death. If the Participant had timely elected and qualified to receive a Lump Sum Benefit, it shall be calculated in the same manner as provided in Section 4.2 as if the Participant were alive; e.g., calculated as of the Participant's death applying the Mortality Tables and the GAAP Rate, both as in effect for the calendar year immediately preceding the calendar year of the Participant's death, but using the Participant's age, Years of Service and other factors as of the Participant's date of death.

5.3 Disability.

Upon a Participant's Termination of Employment and contemporaneous qualification for receipt of long term disability benefits under an AT&T or AT&T affiliate sponsored long term disability benefit plan in which the Participant participates prior to being Retirement Eligible (without regard to the 5 Years of Service or 4 Years of Participation requirements), the Participant will continue to accrue Years of Service during such disability until the earliest of his or her:

- (a) Recovery from Disability,



- (b) Retirement (determined without regard to the 5 Years of Service or 4 Years of Participation requirements), or
- (c) Death.

Upon the occurrence of either (a) Participant's recovery from Disability prior to his or her Retirement Eligibility if Participant does not return to employment, or (b) Participant's Retirement (determined without regard to the 5 Years of Service or 4 Years of Participation requirements), the Participant shall be entitled to receive a SERP Benefit as if he or she realized a Termination of Employment as of the date of such occurrence.

For purposes of calculating the foregoing benefit, the Participant's Final Average Earnings shall be determined using his or her Earnings history as of the date of his or her Disability.

If a Participant who continues to have a Disability dies prior to his or her Retirement Eligibility (without regard to the 5 Years of Service or 4 Years of Participation requirements), the Participant will be treated in the same manner as if he or she had died while in employment (See Section 5.2).

6. Payment of Benefits.

6.1 Commencement of Payments.

- (a) Except as provided in Section 5.3, benefit payments shall commence pursuant to the Benefit Payout Alternative elected by the Participant in his or her Agreement on the date that is six (6) months following his or her Termination of Employment; provided, however, if the Participant dies after Termination of Employment and prior to the lapse of such six (6) month period, benefit payments shall commence upon the Participant's death. If a Participant elected (or is deemed to have elected) an annuity form of benefit under Section 4.2(a), 4.2(b) or 4.2(c), the aggregate monthly amount that would be paid between the Participant's Termination of Employment through the date that benefit payments actually commence, shall be paid in a lump sum on the date that benefit payments actually commence hereunder. In addition, during the period of time between a Participant's Termination of Employment and the date that annuity payments hereunder actually commence, interest shall be credited on the
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withheld annuity amounts for such period of time that each annuity payment is withheld. The credited interest shall be paid in a lump sum on the date that payments hereunder actually commence. Interest shall be credited using the GAAP Rate in effect for the calendar year immediately preceding the calendar year of the Participant's Termination of Employment.

- (b) Notwithstanding the designation of a specific date for commencement of payment of a distribution hereunder, commencement of payments under this Plan may be delayed for administrative reasons in the discretion of the SEVP-HR, but shall begin not later than sixty (60) days following the date upon which payment(s) would otherwise commence under this Plan. A Participant shall not have the right to designate or participate in the decision as to the taxable year of benefit commencement.

6.2 Withholding; Unemployment Taxes.

- (a) A payment may be made from the Plan to reflect the payment of state, local, or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to a Participant (the "State, Local, or Foreign Tax Amount"). Such payment may not exceed the amount of such taxes due as a result of participation in the Plan. Such payment may be made by distributions to the Participant in the form of withholding pursuant to provisions of applicable state, local, or foreign law or by distribution directly to the Participant. Additionally, a payment may be made from the Plan to pay the income tax at source on wages imposed under Code Section 3401 as a result of the payment of the State, Local, or Foreign Tax Amount and to pay the additional income tax at source on wages attributable to such additional Code Section 3401 wages and taxes. However, the total payment under this Section 6.2(a) shall not exceed the aggregate of the State, Local, or Foreign Tax Amount and the income tax withholding related to such State, Local, or Foreign Tax Amount.
 - (b) A payment may be made from the Plan to pay the Federal Insurance Contributions Act tax imposed by Code Sections 3101, 3121(a), and 3121(v) (2) on
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compensation deferred under the Plan (the "FICA Amount"). Additionally, a payment may be made from the Plan to pay the income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local or foreign tax laws as a result of the payment of the FICA Amount and to pay the additional income tax at source on wages attributable to the pyramiding section 3401 wages and taxes. However, the total payment under this Section 6.2(b) shall not exceed the aggregate of the FICA Amount and the income tax withholding related to such FICA Amount.

6.3 Recipients of Payments; Designation of Beneficiary.

All payments to be made under the Plan shall be made to the Participant during his or her lifetime, provided that if the Participant dies prior to the completion of such payments, then all subsequent payments under the Plan shall be made to the Participant's Beneficiary or Beneficiaries.

In the event of the death of a Participant, distributions/benefits under this Plan shall pass to the Beneficiary (ies) designated by the Participant in accordance with this Plan and the Rules.

6.4 No Other Benefits.

No benefits shall be paid hereunder to the Participant or his or her Beneficiary except as specifically provided herein.

6.5 Small Benefit.

Notwithstanding any election made by the Participant, the SEVP-HR in his or her sole discretion may pay any benefit in the form of a lump sum payment if (A) the lump sum equivalent amount is or would be less than the applicable dollar amount under Code Section 402(g)(1)(B) when payment of such benefit would otherwise commence, and (B) the payment of the lump sum equivalent amount results in the termination and liquidation of the entirety of the Participant's interest under the Plan and under any other plan that is considered a single nonqualified deferred compensation plan under Treasury Regulations Section 1.409A-1(c)(2).

7. Conditions Related to Benefits.

7.1 Administration of Plan.

The Administrative Committee and the SEVP-HR with respect to specific functions identified in the Plan, shall be the sole administrators of the Plan and will, in their discretion, administer, interpret, construe and apply the Plan in accordance with its terms. The Administrative Committee or the SEVP-HR shall further establish, adopt or revise such rules and regulations as each may deem necessary or advisable for the administration of the Plan. The Administrative Committee shall serve as the Plan's "administrator" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and regulations thereunder ("ERISA"). All decisions of the Administrative Committee or the SEVP-HR shall be final and binding unless the Board of Directors should determine otherwise.

7.2 No Right to AT&T Assets.

Neither a Participant nor any other person shall acquire by reason of the Plan any right in or title to any assets, funds or property of any AT&T company whatsoever including, without limiting the generality of the foregoing, any specific funds or assets which AT&T, in its sole discretion, may set aside in anticipation of a liability hereunder, nor in or to any policy or policies of insurance on the life of a Participant owned by AT&T. No trust shall be created in connection with or by the execution or adoption of this Plan or any Agreement, and any benefits which become payable hereunder shall be paid from the general assets of AT&T. A Participant shall have only a contractual right to the amounts, if any, payable hereunder unsecured by any asset of AT&T.

7.3 Trust Fund.

AT&T shall be responsible for the payment of all benefits provided under the Plan. At its discretion, AT&T may establish one or more trusts, for the purpose of providing for the payment of such benefits. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of AT&T's creditors. To the extent any benefits provided under the Plan are actually paid from any such trust, AT&T shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by AT&T.

7.4 No Employment Rights.

Nothing herein shall constitute a contract of continuing employment or in any manner obligate any AT&T company to continue the service of a Participant, or obligate a Participant to continue in the service of any AT&T company and nothing herein shall be construed as fixing or regulating the compensation paid to a Participant.

7.5 Modification or Termination of Plan.

This Plan may be modified or terminated at any time in accordance with the provisions of AT&T's Schedule of Authorizations. A modification may affect present and future Participants, provided that any prospective amendment or restatement of the Plan shall not apply to any benefits accrued prior to such amendment or restatement. AT&T also reserves the sole right to terminate at any time any or all Agreements. In the event of termination of the Plan or of a Participant's Agreement, a Participant shall be entitled to benefits hereunder, if prior to the date of termination of the Plan or of his or her Agreement, such Participant has attained 5 Years of Service and, if applicable, 4 Years of Participation, in which case, regardless of the termination of the Plan/Participant's Agreement, such Participant shall be entitled to benefits at such time as provided in and as otherwise in accordance with the Plan and his or her Agreement, provided, however, a Participant's benefit shall be computed as if the Participant had realized a Termination of Employment as of the date of termination of the Plan or of his or her Agreement; provided further, however, a Participant's service subsequent to Plan/Agreement termination shall be recognized for purposes of reducing or eliminating the Age discount provided for by Section 3.1(d). No amendment, including an amendment to this Section 7.5, shall be effective, without the written consent of a Participant, to alter, to the detriment of such Participant, the benefits described in this Plan as applicable to such Participant as of the effective date of such amendment. For purposes of this Section 7.5, an alteration to the detriment of a Participant shall mean a reduction in the amount payable hereunder to a Participant to which such Participant would be entitled if such Participant realized a Termination of Employment at such time, or any change in the form of benefit payable hereunder to a Participant to which such Participant would be entitled if such Participant realized a Termination of Employment at such time. Any amendment which reduces a Participant's benefit hereunder to adjust for a change in his or her pension benefit resulting from an amendment to any company-sponsored defined benefit pension plan which changes the pension benefits payable to all employees, shall not require the Participant's consent.

Written notice of any amendment shall be given to each Participant.

7.6 Offset.

If at the time payments or installments of payments are to be made hereunder, a Participant or his or her Beneficiary or both are indebted to AT&T or any AT&T affiliate as a result of debt incurred in the ordinary course of the employment relationship between the Participant and the AT&T company, then, annually, up to \$5,000 of the payments remaining to be made to the Participant or his or her Beneficiary or both, may, at the discretion of the SEVP-HR, be reduced by the amount of such indebtedness; provided, however, that the reduction must be made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant or his or her Beneficiary; provided, further, however, that an election by the Board of Directors not to reduce any such payment or payments shall not constitute a waiver of such AT&T company's claim for such indebtedness.

7.7 Change in Status.

In the event of a change in the employment status of a Participant to a status in which he is no longer an Participant, the Participant shall immediately cease to be eligible for any benefits under this Plan except such benefits as had previously vested. Only Participant's Years of Service and Earnings history prior to the change in his employment status shall be taken into account for purposes of determining Participant's vested benefits hereunder.

7.8 Special Provisions.

This Plan shall be subject to the special provisions contained in Attachments F, G, H, and I.

8. Miscellaneous.

8.1 Nonassignability.

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 of the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, 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.

8.2 Non-Competition.

AT&T would be unwilling to provide Plan benefits but for the loyalty conditions and covenants set forth in this Section 8.2, and 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 on or after January 1, 2010. Accordingly, as a condition of accruing and/or receiving any Plan benefits on or after January 1, 2010, each Participant is deemed to agree that he shall not, without obtaining the written consent of AT&T 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 8.2. Further, notwithstanding any other provision of this Plan, all benefits provided under the Plan with respect to a Participant shall be subject to the enforcement provisions of this Section 8.2 if the Participant, without the consent of AT&T, participates in an activity that constitutes engaging in competition with AT&T or engaging in conduct disloyal to AT&T, as so defined below. Furthermore, for benefits accrued before January 1, 2010, the provisions of this Section 8.2 as in effect immediately before such date shall also be applicable to the Participant's Plan benefits, with such provisions and those herein being each separately applicable and effective.

(a) Definitions. For purposes of this Section 8.2 and of the Plan generally:

- (i) an "Employer Business" shall mean AT&T, any subsidiary of AT&T, or any business in which AT&T or a subsidiary or affiliated company of AT&T has a substantial interest or joint venture interest;
 - (ii) "engaging in competition with AT&T" shall mean, while employed by an Employer Business or within two (2) years after the Participant's Termination of Employment, engaging by the Participant in any business or activity in all or any portion of the same geographical market where the same or substantially similar business or activity is being carried on by an Employer business. "Engaging in competition with AT&T" shall not include owning a nonsubstantial publicly traded interest as a shareholder in a business that competes with an Employer Business. However, "engaging in competition with AT&T shall include representing or providing consulting services to, or being an employee or director of, any person or entity that is engaged in competition with any Employer Business or that takes a position adverse to any Employer Business.
 - (iii) "engaging in disloyal 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 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 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 Participant's Termination of Employment, 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 ("Customer"), on behalf of any Employer Business during the two (2) years prior to
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Participant's Termination of Employment, to terminate, discontinue, renegotiate, reduce, or otherwise cease or modify its relationship with any Employer Business, or to purchase competing goods or services from a business competing with any Employer Business, or accepting or servicing business from such Customer on behalf of himself or any other business. "Engaging in conduct disloyal to AT&T" also means, disclosing Confidential Information to any third party or using Confidential Information, other than for an Employer Business, or failing to return any Confidential Information to the Employer Business following termination of employment.

- (iv) "Confidential Information" shall mean all information belonging to, or otherwise relating to, an Employer Business, which is not generally known, regardless of the manner in which it is stored or conveyed to 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
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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.

- (b) Forfeiture of Benefits. A Participant's right to receive benefits accrued on or after January 1, 2010 shall terminate and no benefits accrued on or after January 1, 2010 shall be provided under this Plan if the Administrative Committee determines that, within the time period and without the written consent specified, Participant has been either engaging in competitive activity with AT&T or engaging in conduct disloyal to AT&T.
- (c) Equitable Relief. The parties recognize (i) that any Participant's breach of any of the covenants in this Section 8.2 will cause irreparable injury to AT&T, and 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 accrue or receive Plan benefits on and after January 1, 2010, and (ii) 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 covenants in this Section 8.2, the Administrative 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 8.2. To enforce its repayment rights with respect to a Participant, the Plan shall have a first priority, equitable lien on all Plan benefits that are paid to the Participant. In addition, AT&T shall pay for any Plan expenses that the Administrative Committee incurs hereunder, and shall be entitled to recover from the Participant its reasonable attorneys' fees and costs incurred in obtaining such injunctive remedies. In the
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event the Administrative Committee succeeds in enforcing the terms of this Section through a written settlement with the Participant or a court order granting an injunction hereunder, the Participant shall be entitled to 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.

- (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 accrual or receipt of benefits under the Plan on or after January 1, 2010 that each and all of the following conditions apply to all Participants and to any benefits that are accrued on or after January 1, 2010 and that are thereafter paid or are payable under the Plan:
- (i) ERISA shall control all issues and controversies hereunder, and the Administrative Committee shall serve for purposes hereof as a "fiduciary" of the Plan and as its "named fiduciary" within the meaning of ERISA.
 - (ii) All litigation between the parties relating to this 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.
 - (iii) If the Administrative Committee 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 Section 8.2 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 accrued on or after January 1, 2010, and if any such Plan benefits
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have been paid to the Participant, the Participant shall immediately repay all such Plan benefits to the Plan (which shall be used to pay Plan administrative expenses or Plan benefits) upon written demand from the Administrative Committee. 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.

8.3 Notice.

Any notice required or permitted to be given to the Administrative Committee or the SEVP-HR under the Plan shall be sufficient if in writing and hand delivered, or sent by certified mail, to the principal office of AT&T, directed to the attention of the SEVP-HR. Any notice required or permitted to be given to a Participant shall be sufficient if in writing and hand delivered, or sent by certified mail, to Participant at Participant's last known mailing address as reflected on the records of his or her employing company or the company from which the Participant incurred a Termination of Employment, as applicable. Notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for certification.

8.4 Validity.

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.

8.5 Applicable Law.

This Plan shall be governed and construed in accordance with ERISA, and the laws of the State of Texas to the extent not preempted by ERISA.

9. Claims and Appeal.

9.1 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 Department at its then principal place of business.

9.2 Claim Decision.

Upon receipt of a claim, the AT&T Executive Compensation 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 Department determines that special circumstances require an extension of time beyond the initial ninety (90)-day claim review period, the AT&T Executive Compensation 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 Department expects to render its decision on the claim. If this notice is provided, the AT&T Executive Compensation 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 Department, in whole or in part, the AT&T Executive Compensation 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 Section 9.3 and for conducting the review under Section 9.4; 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 Section 9.4.

9.3 Request for Review.

Within sixty (60) days after the receipt by the Claimant of the written decision on the claim provided for in Section 9.2, the Claimant may request in writing that the Administrative Committee review the determination of the AT&T Executive Compensation Department. Such request must be addressed to the Administrative Committee at the address for giving notice pursuant to Section 8.3. 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 Administrative 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 Administrative Committee. If the Claimant does not request a review of the AT&T Executive Compensation Department's decision by the Administrative Committee within such sixty (60)-day period, the Claimant shall be barred and estopped from challenging the determination of the AT&T Executive Compensation Department.

9.4 Review of Decision.

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

- (a) 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 Section 9.2;
- (b) Follow reasonable procedures to verify that its benefit determination is made in accordance with the applicable Plan documents; and
- (c) 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 Administrative Committee will render a decision, written in a manner designed to be understood by the

Claimant. If the Administrative 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 Administrative 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 Administrative 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 Administrative 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 9 before they seek any other legal recourse regarding claims for benefits. 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 9 before they seek any other legal recourse regarding claims for benefits.

LUMP SUM DISTRIBUTION AGREEMENT

This Lump Sum Distribution Agreement is made as of the ____ day of _____, ____ by and between AT&T Inc. ("AT&T" or the "Company") and _____ ("Participant"). Unless otherwise indicated herein, capitalized words used herein shall have the same meaning ascribed to such words in the 2005 Supplemental Employee Retirement Plan (the "Plan" or "SERP").

WHEREAS, Participant is a Participant in the Plan, which is sponsored by the Company;

WHEREAS, pursuant to the Plan, Participant executed an Agreement, governing Participant's benefits in the Plan;

WHEREAS, Participant's Agreement provides for the distribution of his benefits in the form of a lump sum, payable one hundred percent (100%) upon the six (6) month anniversary of his Termination of Employment provided that Participant is age sixty (60) or older as of the date of his Termination of Employment and Participant agrees not to compete with an Employer Business;

NOW, THEREFORE, the parties hereto, for good and valuable consideration, the sufficiency of which is hereby acknowledged, hereby agree as follows:

1. If Participant is age sixty (60) or over as of the date of his Termination of Employment, Company shall pay to Participant his benefits under the Plan in the form of a lump sum distribution, one hundred percent (100%) of which shall be paid upon the six (6) month anniversary of Participant's Termination of Employment.
 2. In exchange for the right to receive the payment described in Paragraph 1, above, Participant acknowledges and agrees to the terms and conditions of Section 8.2 of the Plan in the form attached hereto.
 3. Participant acknowledges and agrees that he shall promptly return to the Company and forfeit all consideration previously received pursuant to this Lump Sum Distribution Agreement, specifically the payment referred to in Paragraph 1, if he violates the provisions of Paragraph 2.
 4. Participant may submit a description of any proposed activity that could arguably violate Section 8.2 of the Plan in writing to AT&T and AT&T shall advise Participant in writing within fifteen (15) business days whether such proposed activity would constitute engaging in competition with an Employer business, within the meaning of this Lump Sum Distribution Agreement.
 5. It is hereby specifically agreed that the terms of this Lump Sum Distribution Agreement shall be kept strictly confidential and that neither party shall, except as necessary for performance of the terms hereof or as specifically required by law, disclose the existence of this Lump Sum Distribution Agreement or any of its terms to third persons without the express consent of the other party.
 6. Participant agrees that for any breach or threatened breach of any of the provisions of this Lump Sum Distribution Agreement by Participant,
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including but not limited to the provisions in Section 8.2 of the Plan, incorporated herein pursuant to Paragraph 2 of this Lump Sum Distribution Agreement, the Company shall have no adequate legal remedy, and in addition to any other remedies available, including the repayment and forfeiture remedies described in Paragraph 3, a restraining order and/or an injunction may be issued against Participant to prevent or restrain any such breach.

- 7. Any notice required hereunder to be given by either party will be in writing and will be deemed effectively given upon personal delivery to the party to be notified, or five (5) days after deposit with the United States Post Office by certified mail, postage prepaid, to the other party at the address set forth below, or to such other address as either party may from time to time designate by ten (10) days advance written notice pursuant to this Paragraph.
- 8. In the event any provision of this Lump Sum Distribution Agreement is held invalid, void, or unenforceable, the same shall not affect in any respect whatsoever the validity of any other provision of this Lump Sum Distribution Agreement, except that should any part of the non-compete provisions of Paragraph 2 of this Agreement be held invalid, void, or unenforceable as applicable to and as asserted by Participant, this Lump Sum Distribution Agreement, at the Company's option, may be declared by the Company null and void. If this Lump Sum Distribution Agreement is declared null and void by Company pursuant to the provisions of this Paragraph, Participant shall return to Company all consideration previously received pursuant to this Lump Sum Distribution Agreement.

AT&T Inc.

By: Senior Executive Vice
President-Human Resources
208 S. Akard
Dallas, Texas 75202

Date Date

"Immediate Annuity Value of any AT&T or affiliate Qualified Pensions" shall mean:

The annual amount of annuity payments that would be paid out of the qualified defined benefit pension plan sponsored by AT&T or an AT&T affiliate in which the Participant participates on a single life, level payment annuity basis assuming payment of such qualified defined benefit pension plan benefit commenced immediately upon the Participant's Termination of Employment, notwithstanding the form of payment of such qualified defined benefit pension plan's benefit actually made to the Participant (i.e., joint and survivor annuity, lump sum, etc.) and notwithstanding the actual commencement date of the payment of such qualified defined benefit pension plan benefit.

Immediate Annuity Value of SRIP. "Immediate Annuity Value of SRIP" shall mean

An objectively determined amount as of December 31, 2008 equal to the annual amount of a level payment, single life with 10 year certain annuity benefit that would be paid to the Participant pursuant to the SRIP as it exists on December 31, 2008 assuming the Participant became eligible to receive a distribution of benefit payments under the SRIP on December 31, 2008, applying the Participant's Final Average Earnings and Years of Service (both as defined in the SRIP) as of December 31, 2004 and the Participant's age as of December 31, 2008, notwithstanding the form of payment of the SRIP benefit that would actually be made to the Participant (i.e., joint and survivor annuity, lump sum, etc.) and notwithstanding the actual commencement date of the payment of such SRIP benefit.

Attachment D to the AT&T 2005 Supplemental Employee Retirement Plan

Immediate Annuity Value of any AT&T or AT&T affiliate Non-Qualified Pensions other than SERP. "Immediate Annuity Value of any AT&T or AT&T affiliate Non-Qualified Pensions other than SERP" shall mean with respect to a Participant, any one or more of the following, as applicable:

1. For a Participant who is a participant in (or otherwise has a benefit in) the AT&T Pension Benefit Make Up Plan No. 1 ("PBMU No. 1"), the AT&T Pension Benefit Make Up Plan No. 2 ("PBMU No. 2"), the AT&T Inc. Management Mid-Career Hire Plan (the "Mid-Career Plan"), the Cingular Wireless SBC Executive Transition Pension Make Up Plan (the "Cingular Plan") and/or the Pacific Telesis Group Executive Supplemental Cash Balance Pension Plan ("PTG Plan") and is a Participant in the Plan on December 31, 2008:

An objectively determined amount as of December 31, 2008 equal to the annual amount of a level payment, single life annuity benefit that would be paid to the Participant pursuant to the PBMU No. 1, the PBMU No. 2, the Mid-Career Plan, the Cingular Plan, and/or the PTG Plan, as applicable, as they exist on December 31, 2008 assuming the Participant became eligible to receive a distribution of benefit payments under the PBMU No. 1, the PBMU No. 2, the Mid-Career Plan, the Cingular Plan, and/or the PTG Plan, as applicable, on December 31, 2008, notwithstanding the form of payment of the benefit that would actually be made to the Participant pursuant to the PBMU No. 1, the PBMU No. 2, the Mid-Career Plan, the Cingular Plan, and/or the PTG Plan, (i.e., 10-year certain annuity, lump sum, etc.) and notwithstanding the actual commencement date of the payment of such PBMU No. 1, PBMU No. 2, the Mid-Career Plan, the Cingular Plan, and/or PTG Plan benefit.

2. For a Participant who is a participant in (or otherwise has a benefit in) the PBMU No. 1, the PBMU No. 2, the Mid-Career Plan, the Cingular Plan, and/or the PTG Plan and has a SERP Effective Date after December 31, 2008:

An objectively determined amount as of the Participant's SERP Effective Date equal to the annual amount of a level payment, single life annuity benefit that would be paid to the Participant pursuant to the PBMU No. 1, the PBMU No. 2, the Mid-Career Plan, the Cingular Plan, and/or the PTG Plan, as applicable, as they exist on the Participant's SERP Effective Date assuming the Participant became eligible to receive a distribution of benefit payments under the PBMU No. 1, the PBMU No. 2, the Mid-Career Plan, the Cingular Plan, and/or the PTG Plan, on his or her SERP Effective Date, notwithstanding the form of payment of the benefit that would actually be made to the Participant

pursuant to the PBMU No. 1, the PBMU No. 2, the Mid-Career Plan, the Cingular Plan, and/or the PTG Plan (i.e., 10-year certain annuity, lump sum, etc.) and notwithstanding the actual commencement date of the payment of such PBMU No. 1, PBMU No. 2, the Mid-Career Plan, the Cingular Plan, and/or PTG Plan benefit.

3. For a Participant who is a participant in (or otherwise has a benefit in) the BellSouth Corporation Supplemental Executive Retirement Plan (the "BellSouth Plan") and is a Participant in the Plan on December 31, 2008:

An objectively determined amount as of December 31, 2008 equal to the annual amount of a level payment, single life annuity benefit that would be paid to the Participant pursuant to the BellSouth Plan as it exists on December 31, 2008 assuming the Participant became eligible to receive a distribution of benefit payments under the BellSouth Plan on December 31, 2008, but applying the Participant's age and years of service as if the Participant remained employed through the fourth anniversary of his or her SERP Effective Date and the Participant's Included Earnings (as defined in the BellSouth Plan) as of December 31, 2008, notwithstanding the form of payment of the BellSouth Plan's benefit that would actually be made to the Participant (i.e., joint and survivor annuity, lump sum, etc.) and notwithstanding the actual commencement date of the payment of such BellSouth Plan benefit.

4. For a Participant who is a participant in (or otherwise has a benefit in) the BellSouth Plan and has a SERP Effective Date after December 31, 2008:

An objectively determined amount as of the Participant's SERP Effective Date equal to the annual amount of a level payment, single life annuity benefit that would be paid to the Participant pursuant to the BellSouth Plan as it exists on the Participant's SERP Effective Date assuming the Participant became eligible to receive a distribution of benefit payments under the BellSouth Plan on his or her SERP Effective Date (applying the Participant's age, years of service and Included Earnings (as defined in the BellSouth Plan) as of the Participant's SERP Effective Date), notwithstanding the form of payment of the BellSouth Plan's benefit that would actually be made to the Participant (i.e., joint and survivor annuity, lump sum, etc.) and notwithstanding the actual commencement date of the payment of such BellSouth Plan benefit.

5. For a Participant who is a participant in (or otherwise has a benefit in) the AT&T Corp. Long Term Disability and Survivor Protection Plan ("LTDSPP") and is entitled to a nonqualified defined benefit from the LTDSPP, the AT&T Corp. Excess Benefit and Compensation Plan, ("Excess Plan"), and/or

the AT&T Corp. Non-Qualified Pension Plan ("NQPP") and is a Participant in the Plan on December 31, 2008 (the Participant's election as to the time and form of benefits under these plans is identical to such election under this Plan):

The benefit payments paid pursuant to the LTDSPP (nonqualified defined benefit only), Excess Plan, and/or the NQPP, as applicable, commencing at the actual time and pursuant to the actual form such benefit payments are made from the LTDSPP, Excess Plan, and/or the NQPP, as applicable.

6. For a Participant who is a participant in (or otherwise has a benefit in) the LTDSPP and is entitled to a nonqualified defined benefit from the LTDSPP, the Excess Plan, and/or the NQPP and has a SERP Effective Date after December 31, 2008:

An objectively determined amount as of the Participant's SERP Effective Date equal to the annual amount of a level payment, single life annuity benefit that would be paid to the Participant pursuant to the LTDSPP (nonqualified defined benefit only), the Excess Plan, and/or the NQPP, as applicable, as they exist on the Participant's SERP Effective Date assuming the Participant became eligible to receive a distribution of benefit payments under the AT&T Corp. LTDSPP (nonqualified defined benefit only), the Excess Plan, and/or the NQPP, on his or her SERP Effective Date, notwithstanding the form of payment of the benefit that would actually be made to the Participant pursuant to the LTDSPP (nonqualified defined benefit only), the Excess Plan, and/or the NQPP (i.e., 10-year certain annuity, lump sum, etc.) and notwithstanding the actual commencement date of the payment of such the AT&T Corp. LTDSPP (nonqualified defined benefit only), the Excess Plan, and/or the NQPP benefit.

Attachment E applies with respect to any Participant who:

- Became a Participant in the 2005 AT&T Supplemental Executive Retirement Plan on or before December 31, 2008;
- Is a participant in the BellSouth Corporation Supplemental Executive Retirement Plan; and
- Attained the age of fifty-four (54) on or before March 1, 2007; and
- Realizes a Termination of Employment on or after January 1, 2009.

Upon Termination of Employment, such Participant's Plan benefit shall equal the greater of his or her benefit determined in accordance with Section 3 of the Plan or this Attachment E.

A. Definitions. Solely for purposes of this Attachment E, the following words shall have the meanings as provided in this Attachment E. Any other capitalized word, not otherwise defined in this Attachment E, shall have the meaning as provided in Section 2 of the Plan.

1. The term "Annual Bonus Award" shall mean the bonus amount paid annually to an Attachment E Participant that is included in the calculation of pension benefits under the Pension Plan.
 2. The term "Attachment E Participant" shall mean any Participant to whom Attachment E applies as described in the first paragraph of this Attachment E.
 3. The terms "BellSouth Corporation" and "Company" shall mean BellSouth Corporation, a Georgia corporation, or its successors.
 4. The term "Included Earnings" shall mean the 12 month average of the sum of (1) the last sixty (60) months of base pay, plus (2) the Annual Bonus Awards payable during or after that sixty (60) month period; provided, however, Included Earnings shall not include base pay or Annual Bonus Awards earned after March 1, 2011. The amounts of base pay and other payments used to determine Included Earnings as described above include all amounts during the specified period including those amounts previously deferred pursuant to other plans. If an Attachment E Participant terminates employment while eligible for a benefit under this Attachment E and thereafter receives Included Earnings, these additional Included Earnings shall be deemed to have been paid as of the date of the Attachment E Participant's Termination of Employment, and
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the amount of benefit payable under this Attachment E shall be corrected accordingly.

5. The term "Merger" shall mean the merger, pursuant to the Agreement and Plan of Merger dated as of March 4, 2006 (the "Merger Agreement"), by and among BellSouth, AT&T Inc. ("AT&T"), and ABC Consolidation Corp., a Georgia corporation and wholly-owned subsidiary of AT&T ("Merger Sub"), pursuant to which, at the "Effective Time" (as defined in the Merger Agreement), BellSouth was merged with and into the Merger Sub.
 6. The term "Pension Plan" shall mean the BellSouth Personal Retirement Account Pension Plan as in effect on the date of the Merger.
 7. The term "Standard Annual Bonus" shall mean the Attachment E Participant's Target Award under the AT&T 2006 Incentive Plan or the AT&T Short Term Incentive Plan and for periods of time prior to the Attachment E Participant's participation in the AT&T 2006 Incentive Plan or the AT&T Short Term Incentive Plan, Standard Annual Bonus shall mean an amount determined by applying a target percentage of an Attachment E Participant's base pay rate as determined by the annual compensation plan and the Attachment E Participant's job or pay grade.
 8. The term "Vesting Service Credit", except as expressly limited or otherwise provided in this Attachment E or under an individual Attachment E Participant's employment-related agreement with the Company, shall have the same meaning as is attributed to such term under the Pension Plan and shall be interpreted in the same manner as that term is interpreted for purposes of the Pension Plan; provided, however, Vesting Service Credit shall not include any period of time on or after March 1, 2011.
- B. Benefit Amount. An Attachment E Participant's benefit under this Attachment E shall be determined as follows:

The aggregate annualized benefit of each Attachment E Participant shall be determined by adding the sum of two percent (2%) of Included Earnings for each year of the Attachment E Participant's Vesting Service Credit for the first twenty years, plus one and one-half percent (1.5%) of Included Earnings for each year of the Attachment E Participant's Vesting Service Credit for the next ten years, plus one percent (1%) of Included Earnings for each

year of the Attachment E Participant's Vesting Service Credit for each additional year up to the month in which the Attachment E Participant retires less (1) 100% of the Primary Social Security benefit payable at age 65, (2) 100% of the retirement benefit (unreduced for survivor annuity) payable from the Pension Plan (as defined below), and (3) 100% of the benefit payable from the BellSouth Corporation Supplemental Executive Retirement Plan (as defined below).

a. The benefit reduction to be applied for the benefit payable from the Pension Plan shall be the amount of such benefit that would be payable on the date that benefits are eligible to be paid (or become payable) under the Plan, or, if earlier, March 1, 2011 (regardless of the Attachment E Participant's actual pension commencement date under the Pension Plan) and determined assuming that the Attachment E Participant elected a single life annuity (regardless of the actual form of benefit elected under the Pension Plan).

The benefit reduction to be applied for the benefit payable from the BellSouth Corporation Supplemental Executive Retirement Plan shall be an objectively determined amount as of December 31, 2008 equal to the annual amount of a level payment, single life annuity benefit that would be paid to the Attachment E Participant pursuant to the BellSouth Supplemental Executive Retirement Plan as it exists on December 31, 2008 assuming the Attachment E Participant became eligible to receive a distribution of benefit payments under the BellSouth Supplemental Executive Retirement Plan on December 31, 2008, but applying the Attachment E Participant's age and years of service as of March 1, 2011 and the Attachment E Participant's Included Earnings as of December 31, 2008, notwithstanding the form of payment of the BellSouth Supplemental Executive Retirement Plan's benefit that would actually be made to the Attachment E Participant (i.e., joint and survivor annuity, lump sum, etc.) and notwithstanding the actual commencement date of the payment of such BellSouth Supplemental Executive Retirement Plan benefit.

b. The benefit amount determined in accordance with this Attachment E (expressed as an annuity) at the time of the Attachment E Participant's Termination of Employment shall not be less than the benefit that would have been payable to the Attachment E Participant if the Attachment E Participant had a Termination of Employment on any prior December 31 (using pay, service, offsets and all factors

applicable on the previous dates and assuming an immediate benefit commencement).

c. The benefit amount determined in accordance with this Attachment E shall be reduced (before the offset for benefits under the Pension Plan) by one-quarter percent (0.25%) for each calendar month or part thereof by which the Attachment E Participant's Termination of Employment precedes his or her 62nd birthday.

SPECIAL PROVISIONS APPLICABLE TO NAMED PARTICIPANTS

I.

SCOPE OF ATTACHMENT

- 1.1** The provisions of this Attachment apply to specifically named Participants (a "Named Participant"). To the extent the provisions of this Attachment conflict with other provisions of the Plan, this Attachment will control with respect to the named Participants.
- 1.2** Capitalized terms used in this Attachment shall have the meaning assigned to such terms in the Plan, unless defined otherwise in this Attachment F or the context clearly indicates to the contrary.
- 1.3** As of the Determination Date, a Named Participant's Target Retirement Benefit shall be converted to a lump sum amount ("Target Retirement Cash Balance Account"), to which interest credits shall be applied. At the Named Participant's Termination of Employment, the lump sum account balance (including interest credits) shall be converted to a Life with 10 Year Certain SERP Benefit for purposes of applying any applicable offsets and the net benefit shall then be converted, as applicable, to the Benefit Payout Alternative elected by the Named Participant.

II.

- 2.1** Target Retirement Cash Balance Account. The SERP Benefit formula of Plan Section 3.1 shall be applied using the following elements for the Named Participant as of the Determination Date, except in the case of the named Participant's earlier Termination of Employment, to determine the Named Participant's Target Retirement Cash Balance Account:

Named Participant:	Determination Date	Service Factor Determined as of:	Final Average Earnings Determined as of:	Age Discount Determined as of:	Applicable Interest Rate and Mortality Table
Randall Stephenson	December 31, 2012	December 31, 2012	June 30, 2010	December 31, 2012	5.8%; 2011 Applicable PPA Mortality Rates

- 2.2** Interest Credits. From and after the Determination Date, the SEVP-HR shall maintain a record of each Named Participants' Target Retirement Cash Balance Account. During such period of time that all or any portion of a Named Participant's Target Retirement Cash Balance Account

is not paid, interest shall be credited at the Applicable Interest Rate.

2.3 Action at Named Participant's Termination of Employment. Upon Termination of Employment:

- (a) a Named Participant's Target Retirement Cash Balance Account, as adjusted for interest credits, shall be converted to an equivalent Life with a 10-Year Certain Benefit (as described in Plan Section 4.2(a)). For purposes of such conversion, the Applicable Interest Rate and Mortality Table in the table above shall apply; provided, however, the Named Participant's age on his or her Termination of Employment date shall apply.
 - (b) The resulting Life with a 10-Year Certain Benefit shall be offset by the amounts described in Plan Section 3.1 (such as other pension values and age discount) to obtain the Annual Value of Life with 10 Year Certain SERP Benefit payable as a result of Termination of Employment.
 - (c) The Named Participant's Annual Value of Life with 10 Year Certain SERP Benefit payable as a result of Termination of Employment shall be converted, as necessary, to the actuarial equivalent of the Benefit Payout Alternative elected by the Named Participant using the Applicable Interest Rate and Mortality Table in the table above; provided, however, the Named Participant's age on his Termination of Employment date shall apply.
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**PROVISIONS APPLICABLE TO NAMED PARTICIPANTS
TRANSFERRING TO EMPLOYMENT WITH YP HOLDINGS LLC**

I.

SCOPE OF ATTACHMENT

- 1.1 On April 7, 2012, AT&T reached an agreement to sell its Advertising Solutions (AS) business to Cerberus Capital Management, L.P. pursuant to an agreement entitled the "Purchase Agreement by and between AT&T Inc. and Congo Buyer LLC" (with this transaction known as the "YP Transaction"). The closing of the YP Transaction shall be referred to as the "Closing." The provisions of this Attachment G apply to specifically named Participants (see section 1.3, below) who, as part of the YP Transaction, cease employment at an AT&T controlled group company and transfer employment to YP Holdings LLC ("YP Holdings") at Closing. A Participant specifically named in Section 1.3, below shall be referred to herein as a "Named YP Participant". To the extent the provisions of this Attachment G conflict with other provisions of the Plan, this Attachment will control with respect to a Named YP Participant.
- 1.2 Capitalized terms used in this Attachment shall have the meaning assigned to such terms in the Plan, unless defined otherwise in this Attachment G or the context clearly indicates to the contrary.
- 1.3 Named YP Participant shall mean Gale Wickham.

II.

PROVISIONS FOR NAMED YP PARTICIPANTS

- 2.1 In compliance with Code section 409A, a Termination of Employment will not occur for a Named YP Participant as a result of the Closing for purposes of Plan Section 6, "Payment of Benefits." However, a Named YP Participant realizes a Termination of Employment at Closing for other purposes under the Plan, including for purposes of determining the Named YP Participant's Final Average Earnings and, absent the provisions of this Attachment G, Years of Service.
 - 2.2 Years of Service under the Plan shall include a Named YP Participant's actual years of service with YP Holdings, up to a maximum of four years from the Closing.
 - 2.3 Furthermore, if the Plan Administrator determines that a Named YP Participant's employment was involuntarily terminated by YP Holdings for any reason other than for cause within the four year period immediately following the Closing, then the Named YP Participant shall be deemed to have completed 30 Years of Service under the Plan.
For
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purposes of clarity, if the Named YP Participant is involuntarily terminated for cause or voluntarily terminates his employment (as determined by the Plan Administrator), then his actual service with YP Holdings through the time of such termination will be recognized by the Plan for the purposes described above in Section 2.2.

- 2.4 The Named YP Participant's age upon his actual termination of employment from YP Holdings will be used to determine the Age Discount, if any, as well as eligibility for the Named YP Participant's elected Benefit Payout Alternatives.
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SPECIAL PROVISIONS APPLICABLE TO NAMED PARTICIPANTS

I.

SCOPE OF ATTACHMENT

- 1.1 The provisions of this Attachment apply to specifically named Participants (a "Named Participant"). To the extent the provisions of this Attachment conflict with other provisions of the Plan, this Attachment will control with respect to the Named Participants.
- 1.2 Capitalized terms used in this Attachment shall have the meaning assigned to such terms in the Plan, unless defined otherwise in this Attachment F or the context clearly indicates to the contrary.
- 1.3 As of the Determination Date, a Named Participant's Target Retirement Benefit shall be converted to a lump sum amount ("Target Retirement Cash Balance Account"), to which interest credits shall be applied. At the Named Participant's Termination of Employment, the lump sum account balance (including interest credits) shall be converted to a Life with 10 Year Certain SERP Benefit for purposes of applying any applicable offsets and the net benefit shall then be converted, as applicable, to the Benefit Payout Alternative elected by the Named Participant.

II.

- 2.1 Target Retirement Cash Balance Account. The SERP Benefit formula of Plan Section 3.1 shall be applied using the following elements for the Named Participant as of the Determination Date, to determine the Named Participant's Target Retirement Cash Balance Account:
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Named Participant	Determination Date	Service Factor Determined as of:	Final Average Earnings Determined as of:	Age Discount Determined as of:	Applicable Interest Rate and Mortality Table
Ralph de la Vega	12/31/2014	12/31/2014	12/31/2014	12/31/2014	4.3%; 2013 Applicable PPA Mortality Rates
Wayne Watts	12/31/2014	12/31/2014	12/31/2014	12/31/2014	4.3%; 2013 Applicable PPA Mortality Rates
John Stankey	12/31/2019	12/31/2019	12/31/2019	12/31/2019	3.7%; 2018 Applicable PPA Mortality Rates
John Stephens	12/31/2019	12/31/2019	12/31/2019	12/31/2019	3.7%; 2018 Applicable PPA Mortality Rates

The Committee may designate additional Named Participants whose Target Retirement Benefit shall be converted to a Target Retirement Cash Balance Account with a Determination Date as of December 31 of the calendar year in which such Named Participant is designated by the Committee; provided, if the Named Participant's Termination of Employment precedes the Determination Date, no conversion to a Target Retirement Cash Balance Account shall apply. For purposes of converting the Named Participant's Target Retirement Benefit to a Target Retirement Cash Balance Account, the Applicable Interest Rate and Mortality Table shall be those in effect under the Plan for a Termination of Employment that occurs on the day preceding the Determination Date.

2.2 Interest Credits. From and after the Determination Date, the SEVP-HR shall maintain a record of each Named Participants' Target Retirement Cash Balance Account. During such period of time that all or any portion of a Named Participant's Target Retirement Cash Balance Account is not paid, interest shall be credited at the Applicable Interest Rate that was used for purposes of converting the Named Participant's Target Retirement Benefit to a Target Retirement Cash Balance Account.

2.3 Action at Named Participant's Termination of Employment. Upon Termination of Employment:

- (d) a Named Participant's Target Retirement Cash Balance Account, as adjusted for interest credits, shall be converted to an equivalent Life with a 10-Year Certain Benefit (as described in Plan Section 4.2(a)). For purposes of such conversion, the Applicable Interest Rate and Mortality Table that were used for purposes of the converting the Named Participant's Target Retirement Benefit to a Target Retirement Cash Balance Account shall apply; provided, however, the Named Participant's age on his or her Termination of Employment date shall apply.
 - (e) The resulting Life with a 10-Year Certain Benefit shall be offset by the amounts described in Plan Section 3.1 (such as other pension values and age discount) to obtain the Annual Value of Life with 10 Year Certain SERP Benefit payable as a result of Termination of Employment.
 - (f) The Named Participant's Annual Value of Life with 10 Year Certain SERP Benefit payable as a result of Termination of Employment shall be converted, as necessary, to the actuarial equivalent of the Benefit Payout Alternative elected by the Named Participant using the Applicable Interest Rate and Mortality Table that were used for purposes of the converting the Named Participant's Target Retirement Benefit to a Target Retirement Cash Balance Account; provided, however, the Named Participant's age on his Termination of Employment date shall apply.
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2017 SPECIAL PROVISIONS APPLICABLE TO NAMED PARTICIPANTS

I.
SCOPE OF ATTACHMENT

- 1.1 The provisions of this Attachment apply to specifically named Participants (a "Named Participant"). To the extent the provisions of this Attachment conflict with other provisions of the Plan, this Attachment will control with respect to the Named Participants.
- 1.2 Capitalized terms used in this Attachment shall have the meaning assigned to such terms in the Plan, unless defined otherwise in this Attachment I or the context clearly indicates to the contrary.
- 1.3 A Named Participant's Earnings will be defined by this Attachment I.

II.
EARNINGS

- 2.1 On and after the Earnings Effective Dates in the table below, the Named Participant's Earnings for purposes of calculating Final Average Earnings shall be an annual rate as shown in the table below:

Named Participant	Earnings Effective Date	Earnings
John Donovan	September 1, 2017	\$3,000,000
John Stankey	The first day of the payroll period following close of the AT&T/Time Warner merger	
John Stephens		

The above Earnings rate will apply regardless of actual base salary and bonuses paid to the Named Participants.

Before the Earnings Effective Date, the Named Participant's Earnings for purposes of calculating Final Average Earnings shall be an annual rate equal to the sum of (1) bonus earned as a short term award during the calendar year but not exceeding 200% of the target amount of such bonus (or such other portion of the bonus or target bonus as may be determined by the Human Resources Committee of the Board of AT&T), plus (2) base salary before reduction due to any contribution pursuant to any deferred compensation plan or agreement sponsored by AT&T or an AT&T affiliate, including but not limited to compensation deferred in accordance with Sections 401(k), 125, or 132(f) of the Internal Revenue Code.

**CLAIMS AND APPEALS PROCEDURES
(related to "Disability" or Being "Disabled" under the Plan")**

Claims Regarding "Disability" or Being "Disabled"

When you make a claim based on a "Disability" or being "Disabled" under the Plan, the Plan's claims administrator will notify you of the decision regarding your claim within 45 days of the date your claim is received by the claims administrator. The claims administrator may extend this 45-day period for up to 30 days (plus an additional 30 days if needed) if it determines that special circumstances outside of the Plan's control require more time to determine your claim. You will be notified within the initial 45-day period (and within the first 30-day extension period if an additional 30 days are needed) whether additional time is needed and what special circumstances require the extra time. If extensions are required because the claims administrator needs additional information from you, you will have 45 days from the claims administrator's notification to provide that information. Once you have provided the information, the claims administrator will decide your claim within the time remaining within either the initial or the extended review period. If you do not receive a written response within the time limits described in this paragraph, your claim will be deemed denied and you will have the right to file an appeal.

If your claim for benefits is denied in whole or in part, the claims administrator will provide you with a written or electronic notification of the denial that will include:

- Information sufficient to identify the claim (including the health care provider or vocational expert whose opinion was relied on in denying your claim), the claim amount (if applicable), a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning and the treatment code and its corresponding meaning.
 - Specific reasons for the denial.
 - A full description of why the Plan denied the claim, including, if applicable, why the claims administrator disagreed with the disability determination made by your treating physician, a Social Security Administration disability determination or a third-party disability payer.
 - Specific reference(s) to the Plan provisions, or applicable law upon which the denial is based, where applicable.
 - If applicable, a statement that an internal rule, guideline, protocol or other similar criterion was relied upon in making the determination and that a copy of the rule, guideline, protocol or criterion will be provided free of charge upon request.
 - An explanation of the scientific or clinical judgment for the determination and how the terms of the Plan were applied to your medical circumstances if the determination is based on medical necessity, experimental treatment or a similar exclusion or limit and that a copy of this explanation will be provided free of charge upon request.
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- A statement that the entire claim file is available for your review and that you can present evidence and testimony during the Appeal process.
- If applicable, a description of any additional information needed to make your claim acceptable and the reason the information is needed.
- A description of the Plan's appeal procedures.
- A statement that you have an opportunity to respond to any new evidence in advance of any appeal decision. You will be given adequate notice and an opportunity to respond to any new evidence in advance of a claim denial being issued.
- A statement concerning your right to file a civil action under ERISA after the required review and all appeals have been completed.
- A statement that if the Plan does not follow the claims procedures, except for minor errors, you will be deemed to have exhausted your administrative remedies and your claim is deemed denied.
- Where applicable, a statement in the relevant non-English language about the availability of language services.

How to Appeal a Denial Related to a Claim of "Disability" or Being "Disabled"

When You May File an Appeal

If your claim of "Disability" or being "Disabled" under the Plan is denied in whole or in part (or you have not received a decision or a notice of extension within the applicable period) and you disagree with the decision, you or your authorized representative may appeal the decision by filing a written request for review. You or your authorized representative must make the request for review within 180 days of receipt of the denial notice (or within 180 days after the review period has expired).

Who Decides Your Appeal

The Plan administrator has delegated discretion and authority to decide appeals to the claims administrator. The claims administrator will have full and exclusive authority and discretion to grant and deny appeals under the Plan. The decision of the claims administrator regarding any appeal will be final and conclusive.

How to Appeal a Denied Claim

If you or your authorized representative sends a written request for review of a denied claim, you or your representative has the right to:

- Send a written statement of the issues and any other comments along with any new or additional evidence or materials in support of your appeal.
 - Upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.
 - Request and receive, free of charge, documents that bear on your claim, such as any internal rule, guideline, protocol or
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other similar criterion relied on in denying your claim. In your appeal, you should state as clearly and specifically as possible any facts and/or reasons why you believe the claims administrator's action is incorrect. You should also include any new or additional evidence or materials in support of your appeal that you wish the claims administrator to consider. Such evidence or material must be submitted along with your written statement at the time you file your appeal.

Your appeal will be assigned to a qualified individual or committee who has had no involvement with the denial of your claim for benefits. This individual or committee will decide the appeal based upon the evidence that was considered by the claims administrator without regard to the information in the claims denial; the issues, records and comments submitted by you; and such other evidence as the individual or committee may independently discover.

If your claim was denied based upon medical judgment, the review will be done in consultation with a health care professional with appropriate expertise in the field and who was not involved in the initial determination. The claims administrator may consult with, or seek the participation of, medical experts as part of the appeal resolution process. When you file your appeal, you consent to this referral and the sharing of pertinent information.

Your appeal may be decided entirely on the basis of evidence submitted in writing. You are not entitled to a hearing, nor do you have the right to present oral testimony or cross-examine authors of written evidence submitted. You will be provided with the identity of any medical or vocational experts whose advice the Plan obtained in connection with denial of your appeal, without regard to whether the advice was relied upon in making the benefit determination.

Unless you are notified in writing that more time is needed, a review and decision on your appeal must be made within 45 days after your appeal is received. If special circumstances require more time to consider your appeal, the claims administrator may take an additional 45 days to reach a decision, but you must be notified in writing that there will be a delay.

If your appeal is denied in whole or in part, the claims administrator will provide you with written or electronic notification that will contain:

- Information sufficient to identify the claim (including the health care provider or vocational expert whose opinion was relied on in denying your claim), the claim amount (if applicable), a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning and the treatment code and its corresponding meaning.
 - Specific reasons for the denial.
 - A full description of why the Plan denied the claim, including, if applicable, why the claims administrator disagreed with the disability determination made by your treating physician, a Social Security Administration disability determination or a third-party disability payer.
 - Specific references to the Plan provisions on which the denial is based.
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- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to your claim.
- If applicable, a statement that an internal rule, guideline, protocol or other similar criterion was relied upon in making the determination and that a copy of the rule, guideline, protocol or criterion will be provided free of charge upon request.
- An explanation of the scientific or clinical judgment for the determination and how the terms of the Plan were applied to your medical circumstances if the determination is based on medical necessity, experimental treatment or a similar exclusion or limit and that a copy of the explanation will be provided free of charge upon request.
- A statement that the entire claim file is available for your review and that you can present evidence and testimony during the Appeal process.
- A description of any additional material or information required for payment of benefits under the Plan.
- A statement of your right to file a civil action under ERISA after you have exhausted all opportunities to appeal under the Plan and the date on which the contractual time limit to file a lawsuit will expire.
- The following statement:

You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency. The appeal will take into account all comments, documents, records and other information you submit relating to the claim for benefits, without regard to whether such information was submitted or considered in the initial claim for benefits determination. If you wish, you or your authorized representative may review the appropriate Plan and Plan documents and submit written information supporting your claim for benefits to the claims administrator or Plan Administrator.

The process is intended to be interactive and you will be provided a reasonable period of time to respond to any new evidence or information before a final decision is made. Prior to denying your appeal, the claims administrator will provide you with any new evidence it plans to rely upon in making a decision. This information will be provided to you as soon as possible and provide you with a reasonable amount of time to address the new evidence or rationale before the decision on appeal is made. As part of this process, the claims administrator must also consider any response made by you to this new information as part of its decision-making process.

Contact the Plan administrator for information regarding the claims administrator and the address or other contact information for the claims administrator.



AT&T INC.
NON-EMPLOYEE DIRECTOR STOCK
AND DEFERRAL PLAN

As amended through November 5, 2021

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AT&T Inc.

Non-Employee Director Stock and Deferral Plan

Article 1. Purpose

The purpose of the Non-Employee Director Stock and Deferral Plan (the "Plan") (formerly the Deferred Compensation Plan for Non-Employee Directors) is to promote the achievement of long-term objectives of AT&T Inc. by linking the personal interests of Non-Employee Directors to those of the Company's stockholders and to attract and retain Non-Employee Directors of outstanding competence.

Article 2. Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below and, when the defined meaning is intended, the initial letter of the word is capitalized:

- (a) **"Annual Retainer" or "Retainer"** means the payments made to Directors for their annual Board service. It includes any additional Retainer paid to Committee Chairpersons or the Board Chairperson. **"Base Annual Retainer"** means the Annual Retainer without any additional amounts for Committee Chairpersons, Board Chairpersons or otherwise.
 - (b) **"Award"** means, individually or collectively, an award under this Plan of Stock Units.
 - (c) **"Board"** means the Board of Directors of the Company.
 - (d) **"Business Day"** means any day that the Company is open for the regular transaction of business.
 - (e) **"Company"** means AT&T Inc., a Delaware corporation.
 - (f) **"Director"** means any individual who is a member of the Board, including Advisory Directors.
 - (g) **"Employee"** means any full-time, nonunion, salaried employee of the Company or of the Company's directly or indirectly held subsidiaries. For purposes of the Plan, an individual whose only employment relationship with the Company is as a Director shall not be deemed to be an Employee.
 - (h) **"Fair Market Value" or "FMV"** means the closing price on the New York Stock Exchange ("NYSE") for Shares on the relevant date, all as determined by the Company. In lieu of the foregoing, the Board may select any other index or measurement to determine the FMV of Shares under the Plan.
 - (i) **"Non-Employee Director"** means any individual who is a member of the Board but who is not otherwise an Employee, nor has otherwise been an Employee.
 - (j) **"Participant"** means a person who is entitled to participate in the Plan.
 - (k) **"Shares"** means shares of common stock of the Company, par value one dollar (\$1.00) per share.
 - (l) **"Stock Unit" or "Unit"** means an Award acquired by a Participant as a measure of participation under the Plan, and having a value equal to one (1) Share.
 - (m) **"Trading Day"** means any day that the Shares are traded on the NYSE.
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Article 3. Eligibility and Administration

3.1 Eligibility. Persons eligible to participate in the Plan are limited to Non-Employee Directors.

3.2 The Committee. The Plan shall be administered by the Corporate Governance and Nominating Committee of the Board (the "Committee"), subject to the restrictions set forth in the Plan.

3.3 Administration by the Committee. The Committee shall have the full power, discretion, and authority to interpret and administer the Plan in a manner consistent with the Plan's provisions. However, in no event shall the Committee have the power to determine Plan eligibility, or to determine the number, the value, the vesting period, or the timing of Awards to be made under the Plan (all such determinations being automatic pursuant to the provisions of the Plan).

3.4 Decisions Binding. All determinations and decisions made by the Committee pursuant to the Plan, and all related orders or resolutions of the Committee shall be final, conclusive, and binding on all persons, including the Company, its stockholders, Participants, and their estates and beneficiaries.

Article 4. Shares Previously Acquired Under Plan

Effective December 31, 2008, no Shares may be issued under this Plan. However, any Shares previously acquired by a Director under this Plan may not be sold for one year after acquisition. Thereafter, such Shares shall only be sold pursuant to an effective registration statement or pursuant to an exemption from the Securities Act of 1933, including sales pursuant to Rule 144 thereunder. The Company may place a legend on the certificates for such Shares evidencing this restriction.

Article 5. Award of Deferred Stock Units for Non-Employee Directors

5.1 Award of Deferred Stock Units for Non-Employee Directors. Effective the day of each annual meeting of the Company's stockholders, each newly-elected or continuing Non-Employee Director shall be granted that number of Stock Units that is equal to \$220,000 divided by the Fair Market Value of a Share on the last Trading Day in the calendar month in which such Award is made. Each Award is intended to be in consideration for service until the next annual meeting of stockholders, but will be fully earned on the date of the Award and credited to the Non-Employee Director's account on the day the number of Stock Units is determined. Provided, however, if the Director terminates service on or before the day of the annual meeting of stockholders, the related Award to be earned on such meeting date will not be made.

Effective, June 1, 2021, a Non-Employee Director who is first elected to the Board on a day other than the day of the annual meeting of stockholders, shall be granted a pro-rated number of Stock Units based on the number of days served prior to the next annual meeting (using the methodology and initial value formula set forth above and an assumed next annual meeting date one year following the last annual meeting). Such award is intended to be in consideration for service until the next annual meeting of stockholders, but will be fully earned on the date of the award.

5.2 Deferral of Retainers into Stock Units. Each Non-Employee Director may elect to defer all (100%) or fifty percent (50%) of the Director's Annual Retainer earned during the relevant calendar year into Stock Units. The number of Stock Units acquired shall equal the portion of the Annual Retainer being deferred into Stock Units in a calendar month, divided by the Fair Market Value of a Share on the last Trading Day in such calendar month, and such Stock Units shall be credited to the Non-Employee Director's account effective the day the number of

Stock Units is determined. Amounts are deferred at the time they otherwise would have been paid were it not for the relevant deferral election.

Any deferral election under this Section 5.2 shall be made prior to the beginning of, and will be effective for, the calendar year in which such payments would be earned. Unless the Non-Employee Director notifies the Secretary of the Company otherwise prior to the beginning of each subsequent calendar year, each election hereunder will renew automatically for an additional calendar year.

5.3 Payout of Deferred Stock Units. Each Stock Unit shall be paid out in cash equal to the Fair Market Value of a Share; a fractional Share Unit shall be entitled to cash equal to the equivalent fraction of a Share.

The Participant shall elect the timing of the payout for Stock Unit Awards no later than the last day of the calendar year prior to the first scheduled payment of such Stock Units. Notwithstanding the foregoing:

(i) persons who become Directors after November 19, 2004, shall elect the timing of the payout of their Stock Units (their "Post 2004 Stock Units") no later than the time they first make a deferral election into Stock Units or thirty (30) days after their original election to the Board, whichever is sooner (the Corporate Governance and Nominating Committee may extend only the 30 day deadline and may do so only so long as such extension is permitted by Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A")); and

(ii) each Participant in the Plan as of November 19, 2004 who has not irrevocably elected the timing of the payout of Stock Units shall make such an election by December 31, 2004 with respect to all Stock Units from deferrals of Awards made or Annual Retainer or fees earned after December 31, 2004 (also known as "Post 2004 Stock Units").

One election will apply to all Post 2004 Stock Units, whether from deferrals, annual Awards or otherwise, and Stock Units earned thereon (each such payout schedule is hereinafter referred to as a "Stock Unit Schedule"); and a separate election shall apply to all other Stock Units and earnings thereon. Stock Units acquired under this Plan shall, with respect to each Stock Unit Schedule (if more than one), be paid out in a lump sum payment or in up to fifteen (15) annual installments, as elected by the Participant. The lump sum payment or the first installment, as the case may be, for each Stock Unit Schedule shall be payable on the first Business Day of February of the year following the calendar year of the termination of the Participant's service as a Director. Each subsequent annual installment shall be payable on the first Business Day of February. If the Director fails to make a timely election as to the number of installments for any Stock Unit Schedule, such Stock Units shall be paid out in four (4) annual installments.

For Participants electing a payout (or payouts, as the case may be) of Stock Units in installments, the number of Stock Units to be paid out for each Stock Unit Schedule in each installment shall equal the number of Stock Units available for payout under such Stock Unit Schedule, divided by the number of remaining installments (including the installment being made).

5.4 Stock Units. Each Stock Unit shall represent an unfunded and unsecured promise by the Company to issue cash equal in value to the Stock Unit. Participants holding Stock Units (or fractions thereof) shall earn dividend equivalents paid in the form of additional Stock Units added to their account. The number of Stock Units so added shall equal the dividend on a Share multiplied by the number of Stock Units held by the Participant on the record date for such dividend, divided by the Fair Market Value of a Share on the last Trading Day in the calendar month in which the record date for such dividend occurs. The Stock Units shall be credited to a Participant's account on the day the number of Stock Units is determined.

Article 6. Cash Deferral Account

6.1 Cash Deferral Account. A cash deferral account (the "Cash Deferral Account") shall be established and maintained by the Company for each Participant that makes a cash deferral election under the Plan. Each Cash Deferral Account shall be credited as of the date the amount deferred otherwise would have become due and payable to the Participant and shall be credited to reflect the interest return thereon until paid. The establishment and maintenance of such Cash Deferral Accounts, however, shall not be construed as entitling any Participant to any specific assets of the Company and shall represent an unfunded and unsecured promise of the Company with respect to the amounts due thereunder.

6.2 Cash Deferral Elections. Effective for payments on or after January 1, 1998, each Non-Employee Director may elect to defer all (100%) or fifty percent (50%) of the Director's Annual Retainer earned during the relevant calendar year into the Director's Cash Deferral Account. Amounts are deferred at the time they otherwise would have been paid were it not for the relevant deferral election.

Any deferral election under this Section 6.2 shall be made prior to the beginning of, and will be effective for, the calendar year in which such payments would be earned. Unless the Non-Employee Director notifies the Secretary of the Company otherwise prior to the beginning of each subsequent calendar year, each election hereunder will renew automatically for an additional calendar year.

Deferral elections under the Plan made prior to November 21, 1997, shall be credited to the Cash Deferral Account and continue to earn interest in accordance with Section 6.3.

6.3 Interest on Cash Deferral Accounts. The annual rate of interest on amounts in the Cash Deferral Accounts for 1997 and subsequent calendar years shall be Moody's Long-Term Corporate Bond Yield Average as published by Moody's Investor Service, Inc. (or any successor thereto) for the month of September before the calendar year in question (if such yield is no longer published, a substantially similar average selected by the Committee) or such other rate as the Committee shall determine prior to the year for which the interest rate would be applicable. Such interest shall be compounded quarterly, in arrears, on all unpaid amounts and shall be recorded on Participant's statements quarterly.

6.4 Form and Timing of Payout of Cash Deferral Accounts. Cash Deferral Accounts shall be paid out in cash. The Participant shall elect the timing of the payout for the Participant's Cash Deferral Account no later than the last day of the calendar year prior to the first scheduled payment thereof. Notwithstanding the foregoing:

(i) persons who become Directors after November 19, 2004, shall elect the timing of the payout of their Cash Deferral Account (their "Post 2004 CDA Deferrals") no later than the time they first make a deferral election into their Cash Deferral Account; and

(ii) each Participant in the Plan as of November 19, 2004 who has not irrevocably elected the timing of the payout of his or her Cash Deferral Account shall make such an election by December 31, 2004 with respect to all amounts from deferrals into such Participant's Cash Deferral Account of Annual Retainers or fees earned after December 31, 2004 (the "Post 2004 CDA Deferrals").

One election shall apply to a Participant's Post 2004 CDA Deferrals and earnings thereon (each such payout schedule is hereinafter referred to as a "Cash Account Schedule"); and a separate election shall apply to amounts that are not Post 2004 CDA Deferrals and earnings thereon.

A Participant's Cash Deferral Account shall, with respect to each Cash Account Schedule (if more than one), be paid out in a lump sum payment or in up to fifteen (15) annual installments, as elected by the Participant. The lump sum payment or the first installment, as the case may be,

for each Cash Account Schedule shall be payable on the first Business Day of February of the year following the calendar year of the termination of the Participant's service as a Director. Each subsequent annual installment shall be payable on the first Business Day of February. If the Director fails to make a timely election as to the number of installments for any Cash Account Schedule, the Participant's Cash Deferral Account shall be paid out in four (4) annual installments. Each installment shall equal the amount available for payout under such Cash Account Schedule, divided by the number of remaining installments (including the installment being made).

6.5 Conversion of Non-Employee Director's Cash Deferral Account to Deferred Stock Units. Each year, on or before the close of trading in Shares on the NYSE on the tenth day (if the tenth day is not a Trading Day, then the next preceding Trading Day) following the Company's public release of its annual summary statement of earnings (typically in January of each year) (such Trading Day to be the "Conversion Date"), a Non-Employee Director may elect to convert all or part of the balance of his or her Cash Deferral Account into Stock Units. Notwithstanding the foregoing, however, no such conversion of Post 2004 CDA Deferrals shall be permitted unless the payout schedules for such Participant's Post 2004 CDA Deferrals and Post 2004 Stock Units are identical. Each such election shall become irrevocable as of the last time such election may be made. A Non-Employee Director who elects to convert his or her Cash Deferral Account shall receive the number of Stock Units found by dividing the Non-Employee Director's balance in the Cash Deferral Account, together with all accrued but not yet credited interest, or such lesser amount of the Cash Deferral Account elected by the Non-Employee Director, by the Fair Market Value of a Share on the Conversion Date. Upon such conversion, the Participant's Cash Deferral Account shall be reduced by the amount so converted.

Article 7. Amendment, Modification, and Termination

7.1 Amendment, Modification, and Termination. Subject to the terms set forth in this Article 7, the Board may terminate, amend, or modify the Plan at any time and from time to time.

7.2 Awards Previously Granted. Unless required by law, no termination, amendment, or modification of the Plan shall in any material manner adversely affect any Award previously provided under the Plan, without the written consent of the Participant holding the Award.

Article 8. Miscellaneous

8.1 Elections. All elections and notices of any kind hereunder shall be in writing and provided to the Secretary of the Company in a form prescribed by the Secretary. Unless marked as irrevocable, an election may be modified or revoked at any time prior to, and shall not be effective until, the deadline for making such election.

8.2 Assignment. Except as otherwise expressly provided herein, no rights under this Plan may be assigned by a Participant.

8.3 Savings Clause. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included. 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 Internal Revenue Code of 1986, as amended, and any provision that would conflict with such requirements shall not be valid or enforceable.

8.4 Death of a Director/Beneficiary Designation. Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named primarily or contingently) to whom any benefit under the Plan is to be paid in the event of his or her death.

Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Secretary of the Company, and will be effective only when provided by the Participant in writing to the Secretary during such Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

In the event of the death of a Participant before full payment of all amounts due hereunder, the balance shall be paid in a lump sum as soon as administratively possible in accordance with the foregoing. Notwithstanding this, if the Participant so elects as part of the Participant's deferral elections, the Stock Units and/or the Cash Deferral Account will be paid out in the number of annual installments elected by the Participant, beginning on the first Business Day of February following the calendar year of the Participant's death and occurring annually thereafter; provided, however, if distributions to the Participant have already commenced at the time of the Participant's death, then under this election, distributions will continue as scheduled.

8.5 No Right of Nomination. Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any Director for reelection by the Company's stockholders.

8.6 Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

8.7 Requirements of Law. The granting of Awards under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

8.8 Governing Law. The Plan and all agreements hereunder, shall be construed in accordance with and governed by the internal, substantive laws of the State of Texas.

8.9 Adjustments. 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 the Company affecting the Shares, such adjustment shall be made in the number of outstanding Stock Units as may be determined to be appropriate and equitable by the Board, in its sole discretion, to prevent dilution or enlargement of rights.

PRINCIPAL SUBSIDIARIES OF
AT&T INC., AS OF DECEMBER 31, 2021
2021 AT&T INC. REPORT TO STOCKHOLDERS
SECURITIES AND EXCHANGE COMMISSION ("SEC")
FORM 10-K filed February 16, 2022

<u>Legal Name</u>	<u>State of Incorporation/Formation</u>	<u>Conducts Business Under</u>
Illinois Bell Telephone Company, LLC	Illinois	AT&T Illinois; AT&T Wholesale
Indiana Bell Telephone Company, Incorporated	Indiana	AT&T Indiana; AT&T Wholesale
Michigan Bell Telephone Company	Michigan	AT&T Michigan; AT&T Wholesale
Nevada Bell Telephone Company	Nevada	AT&T Nevada; AT&T Wholesale
Pacific Bell Telephone Company	California	AT&T California; AT&T Wholesale; AT&T DataComm
SBC Long Distance, LLC	Delaware	AT&T Long Distance
AT&T Teleholdings, Inc.	Delaware	AT&T Midwest; AT&T West; AT&T East
Southwestern Bell Telephone Company	Delaware	AT&T Arkansas; AT&T Kansas; AT&T Missouri; AT&T Oklahoma; AT&T Texas; AT&T Southwest; AT&T DataComm; AT&T Wholesale
The Ohio Bell Telephone Company	Ohio	AT&T Ohio; AT&T Wholesale
Wisconsin Bell, Inc.	Wisconsin	AT&T Wisconsin; AT&T Wholesale
AT&T Services, Inc.	Delaware	AT&T Services; AT&T Labs

AT&T Corp.	New York	AT&T Corp.; ACC Business; AT&T Wholesale; AT&T Business Solutions; AT&T Advanced Solutions; AT&T Diversified Group; AT&T Mobile and Business Solutions
Teleport Communications America, LLC	Delaware	same
BellSouth, LLC	Georgia	AT&T South
BellSouth Telecommunications, LLC	Georgia	AT&T Alabama AT&T Florida AT&T Georgia AT&T Kentucky AT&T Louisiana AT&T Mississippi AT&T North Carolina AT&T South Carolina AT&T Tennessee AT&T Southeast
AT&T Mobility LLC	Delaware	same
AT&T Mobility II LLC	Delaware	same
New Cingular Wireless PCS, LLC	Delaware	AT&T Mobility
Cricket Wireless LLC	Delaware	same
AT&T Communications, LLC	Delaware	same
AT&T Latin America, LLC	Delaware	same
AT&T Comunicaciones Digitales, S. de R.L. de C.V.	Mexico City	same
AT&T MVPD Group Holdings, LLC	Delaware	same
Warner Media, LLC	Delaware	same
Home Box Office, Inc.	Delaware	HBO Global Licensing
Turner Broadcasting System, Inc.	Delaware	Turner

Warner Bros. Entertainment Inc.	Delaware	Warner-Grandview Music Warner Bros. Warner Bros. International Film Acquisitions Warner Bros. International Cinemas Warner Bros. Entertainment Group Warner Bros. Global Insights & Analytics
Historic TW Inc.	Delaware	same
Warner Media Content Holdings, L.P.	Delaware	same
WarnerMedia Direct, LLC	Delaware	same
Warner Communications LLC	Delaware	same
Xandr Inc.	Delaware	same

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-34062) pertaining to the Stock Savings Plan,
- (2) Registration Statement (Form S-3 No. 333-231404) of AT&T and the related Prospectuses,
- (3) Registration Statement (Form S-8 No. 333-141864) pertaining to the AT&T Savings Plan and certain other plans,
- (4) Registration Statement (Form S-8 No. 333-139749) pertaining to the BellSouth Retirement Savings Plan and certain other BellSouth plans,
- (5) Registration Statement (Form S-8 No. 333-152822) pertaining to the AT&T Non-Employee Director Stock Purchase Plan,
- (6) Registration Statement (Form S-8 No. 333-173079) pertaining to the AT&T 2011 Incentive Plan,
- (7) Registration Statement (Form S-8 No. 333-227285) pertaining to the AT&T Stock Purchase and Deferral Plan and Cash Deferral Plan,
- (8) Registration Statement (Form S-8 No. 333-235537) pertaining to the AT&T Savings and Security Plan, the AT&T Puerto Rico Retirement Savings Plan, the AT&T Retirement Savings Plan, and the BellSouth Savings and Security Plan,
- (9) Registration Statement (Form S-8 No. 333-205868) pertaining to the DIRECTV 2010 Stock Plan, the DIRECTV 401(k) Savings Plan, and the Liberty Entertainment, Inc. Transitional Stock Adjustment Plan,
- (10) Registration Statement (Form S-8 No. 333-211303) pertaining to the 2016 Incentive Plan,
- (11) Registration Statement (Form S-8 No. 333-224980) pertaining to the 2018 Incentive Plan, and
- (12) Registration Statement (Form S-8 No. 333-225671) pertaining to the Time Warner Inc. 1999 Stock Plan, the Time Warner Inc. 2003 Stock Incentive Plan, the Time Warner Inc. 2006 Stock Incentive Plan, the Time Warner Inc. 2010 Stock Incentive Plan, the Time Warner Inc. 2013 Stock Incentive Plan, and the Time Warner Savings Plan;

of our reports dated February 16, 2022, with respect to the consolidated financial statements and schedule of AT&T Inc. and the effectiveness of internal control over financial reporting of AT&T included in this Annual Report (Form 10-K) of AT&T Inc. for the year ended December 31, 2021.

/s/ Ernst & Young LLP

Dallas, Texas
February 16, 2022

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/Samuel A. Di Piazza, Jr.

Samuel A. Di Piazza, Jr.
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

February 4, 2022

Date

/s/Scott T. Ford

Scott T. Ford
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/Glenn H. Hutchins

Glenn H. Hutchins
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/William E. Kennard

William E. Kennard

Independent Chairman of the Board

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/Debra L. Lee

Debra L. Lee
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

February 4, 2022

Date

/s/Stephen J. Luczo

Stephen J. Luczo
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/Michael B. McCallister

Michael B. McCallister
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 31, 2022

Date

/s/Beth E. Mooney

Beth E. Mooney
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/Matthew K. Rose

Matthew K. Rose
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/John T. Stankey

John T. Stankey
Chief Executive Officer and
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/Cynthia B. Taylor

Cynthia B. Taylor
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/Luis A. Ubiñas

Luis A. Ubiñas
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, AT&T INC., a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission at Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K; and

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints John T. Stankey, George B. Goeke, David R. McAtee II, Pascal Desroches, Debra L. Dial, or any one of them, all of the City of Dallas and State of Texas, the attorneys for the undersigned and in the undersigned's name, place and stead, and in the undersigned's office and capacity in the Corporation, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and concerning the premises, as fully to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand the date set forth opposite their name.

January 28, 2022

Date

/s/Geoffrey Y. Yang

Geoffrey Y. Yang
Director

CERTIFICATION

I, John T. Stankey, certify that:

1. I have reviewed this report on Form 10-K 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: February 16, 2022

/s/John T. Stankey.

John T. Stankey
Chief Executive Officer
and President

CERTIFICATION

I, Pascal Desroches, certify that:

1. I have reviewed this report on Form 10-K 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: February 16, 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 Annual Report on Form 10-K for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 16, 2022

February 16, 2022

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

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.
